

# Modern Living Investments Holdings Limited 雅居投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8426

# SHARE OFFER

Sole Sponsor

**BALLAS**  
C A P I T A L

Joint Bookrunners and Joint Lead Managers



**BALLAS**  
C A P I T A L

## IMPORTANT

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

# Modern Living Investments Holdings Limited

## 雅居投資控股有限公司

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

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

**Number of Offer Shares : 200,000,000 Shares**  
**Number of Placing Shares : 180,000,000 Shares (subject to reallocation)**  
**Number of Public Offer Shares : 20,000,000 Shares (subject to reallocation)**  
**Offer Price : Not more than HK\$0.38 per Offer Share and  
expected to be not less than HK\$0.30 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 on application in Hong  
Kong dollars and subject to refund)**  
**Nominal value : HK\$0.01 per Share**  
**Stock code : 8426**

Sole Sponsor

**BALLAS**  
CAPITAL

Joint Bookrunners and Joint Lead Managers



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

The Offer Price is expected to be determined by the Price Determination Agreement between Ballas Capital (for itself and on behalf of the Underwriters) and our Company on or about Monday, 6 November 2017 or such later date as may be agreed between the parties. If, for any reason, Ballas Capital (for itself 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 Ballas Capital (for itself 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\$0.38 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share, unless otherwise announced. Ballas Capital (for itself 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](http://www.hkexnews.hk) and the website of our Company at [www.modernliving.com.hk](http://www.modernliving.com.hk).

Prospective investors of the Offer Shares should note that Ballas Capital (for itself 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 paragraph headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” in this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should Ballas Capital (for itself 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 consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed “Risk Factors” in this prospectus.**

31 October 2017

## IMPORTANT

Our Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of our Company at [www.modernliving.com.hk](http://www.modernliving.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Anyone may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 2017 at the following locations:

1. the following branches of Bank of China (Hong Kong) Limited:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
Hong Kong Island	Chai Wan Branch	Block B, Walton Estate, 341–343 Chai Wan Road, Chai Wan
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
New Territories	Kau Yuk Road Branch	18–24 Kau Yuk Road, Yuen Long
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

2. the following offices of the Joint Lead Managers:

**Huabang Securities Limited**

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

**Ballas Capital Limited**

Unit 1802, 18/F, 1 Duddell Street  
Central  
Hong Kong

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

During normal business hours from 9:00 a.m. on Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 2017, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed, as set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

## CHARACTERISTICS OF GEM

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

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

## EXPECTED TIMETABLE

*If there is any change in the following expected timetable of the Share Offer, we will publish an announcement on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.modernliving.com.hk](http://www.modernliving.com.hk).*

2017<sup>(Note 1)</sup>

Public Offer commences and <b>WHITE</b> and <b>YELLOW</b> Application Forms available from.....	9:00 a.m. on Tuesday, 31 October
Latest time to complete electronic applications under the <b>HK eIPO White Form</b> service through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> <sup>(Note 2)</sup> .....	11:30 a.m. on Friday, 3 November
Application lists for Public Offer open <sup>(Note 3)</sup> .....	11:45 a.m. on Friday, 3 November
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms.....	12:00 noon on Friday, 3 November
Latest time to complete payment of <b>HK eIPO White Form</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s).....	12:00 noon on Friday, 3 November
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(Note 4)</sup> .....	12:00 noon on Friday, 3 November
Application lists for Public Offer close <sup>(Note 3)</sup> .....	12:00 noon on Friday, 3 November
Expected Price Determination Date on or before <sup>(Note 5)</sup> .....	Monday, 6 November
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications of the Public Offer, the basis of allotment and the results of applications in the Public Offer to be published in our Company's website at <a href="http://www.modernliving.com.hk">www.modernliving.com.hk</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before.....	Thursday, 9 November
Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at <a href="http://www.modernliving.com.hk">www.modernliving.com.hk</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> (for further details, please refer to the section headed "How to Apply for Public Offer Shares — 11. Publication of results" in this prospectus) on or before .....	Thursday, 9 November
Results of allocations in the Public Offer will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a "search by ID" function on.....	Thursday, 9 November

## EXPECTED TIMETABLE

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<sup>(Notes 6 to 10)</sup> . . . . . Thursday, 9 November

Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before<sup>(Notes 6 to 9 and 11)</sup> . . . . . Thursday, 9 November

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or about<sup>(Notes 7 to 10)</sup> . . . . . Thursday, 9 November

Dealings in Shares on GEM expected to commence at 9:00 a.m. on . . . . . Friday, 10 November

### Notes:

1. All times and dates refer to Hong Kong local time, 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 through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) 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 Friday, 3 November 2017, the application lists will not open on that day. For further details, please refer to the section headed “How to Apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph 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 is expected to be on or before Monday, 6 November 2017. If, for any reason, the Offer Price is not agreed on or before Monday, 6 November 2017 between our Company and Ballas Capital (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
6. Share certificates for the Public Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 10 November 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
7. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) or through **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 Thursday, 9 November 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.

## EXPECTED TIMETABLE

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 appropriate. 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 paragraph headed "How to Apply for Public Offer Shares — 14. Despatch/collection of share certificates and refund monies" in this prospectus.
10. e-Auto Refund payment instructions/refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.38 per Offer Share. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Services Provider, in the form of refund cheques, by ordinary post at their own risk.

11. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and none of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

In the event of any change to the above expected timetable after the date of this prospectus, an announcement will be made on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.modernliving.com.hk](http://www.modernliving.com.hk) accordingly. All Share certificates will only become valid certificates of title of the Shares which they relate provided that the Share Offer has become unconditional in all respects and none of the Underwriting Agreements has been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

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

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*You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, advisers, officers, employees, agents, affiliates or representatives of any of them or any other persons or parties involved in the Share Offer. The contents of our Company's website at [www.modernliving.com.hk](http://www.modernliving.com.hk) do not form part of this prospectus.*

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## SUMMARY

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

*There are risks associated with any investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.*

## OVERVIEW

We provide property management services in Hong Kong, with a primary focus on public housing. During the Track Record Period, the Housing Authority was our single largest customer and contributed to almost 100% of our total revenue. Our property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repair and maintenance as well as project management services), (ii) security services and (iii) cleaning services. As at the Latest Practicable Date, we provided property management services to 28 public estates. We also provided stand-alone cleaning services and security services to two public estates, respectively. According to the Frost & Sullivan Report, we were the second largest property management service provider for public housing in Hong Kong in 2016, with a market share of 7.9% in terms of revenue.

The Housing Authority adopted a policy to place WCL on every PSA (including Modern Living, our major operating subsidiary). A PSA would not be eligible for tendering for additional property management service contracts from the Housing Authority if its workload exceeds the WCL. As at the Latest Practicable Date, we took up 69,428 effective units, representing approximately 77.8% of the maximum 89,250 effective units, being the WCL of 85,000 effective units plus 5% allowance. Therefore, our growth of business will be limited by such WCL. For the risk involved, please refer to the paragraph headed “Risk Factors — Our future growth will be affected if we are unable to utilise or raise our tender limits or diversify our customer base” in this prospectus.

We hire and manage our own staff in providing our property management services. We may also subcontract some of our works to subcontractors. For FY2015 and FY2016 (up to September 2016), we engaged Ying Wah, a cleaning service subcontractor, to carry out the cleaning services to some of the estates we managed. In September 2016, we ceased such cleaning subcontracting arrangement and since then we have carried out all the cleaning services by ourselves. In the future, we may still consider to subcontract some of our works to other service providers in order to increase our capacity and operational flexibility.

During the Track Record Period, all our revenue was attributable to the provision of property management services and stand-alone cleaning and security services. For each of FY2015, FY2016 and 4M2017, our revenue amounted to approximately HK\$303.6 million, HK\$344.5 million, HK\$116.7 million, respectively.

## SUMMARY

During the Track Record Period, we primarily generated our revenue from services which we charged on a lump sum basis. For service contracts with the Housing Authority, our lump sum service fee is adjusted according to an annual fee adjustment mechanism with reference to changes in (i) CCPI and (ii) the indices of payroll of persons working as general cleaners and security guards extracted from the Quarterly Report on Wage and Payroll Statistics. In addition, if we are required to carry out project management and supervision for major repair and maintenance projects under our property management service contracts, we are able to charge additional fee based on a certain percentage of the contract sum of the repair and maintenance projects.

The Property Management Services Ordinance, which aims to regulate property management service companies and practitioners, was passed by the Legislative Council of Hong Kong in May 2016. Some of the key provisions of the ordinance had not yet come in force as at the Latest Practicable Date. Modern Living will likely be able to meet the new licencing requirements under the Property Management Services Ordinance because: (i) it is unlikely Modern Living will be in liquidation or is the subject of a winding-up order at the time of the application; (ii) it is unlikely that a receiver will be appointed in relation to Modern Living; (iii) it is unlikely that in the 5 years before the intended application, Modern Living has entered into a composition or scheme of arrangement with its creditors; (iv) it is unlikely that Modern Living will be convicted of a criminal offence involving fraud or dishonesty; (v) it is unlikely that Modern Living will be convicted of a disciplinary offence or a criminal offence under the Property Management Services Ordinance; (vi) every director of Modern Living is and is expected to be a suitable person to be associated with Modern Living's business of providing property management services. For details, please refer to the paragraph headed "Regulatory Overview — Licence Regime for Property Management Services" in this prospectus.

### COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are attributable to the following competitive strengths:

- We are one of the leading property management service providers for public housing in Hong Kong.
- We have a long and established business relationship with the Housing Authority.
- Our in-house professional team with diversified expertise enables us to provide multi-disciplinary property management solutions to our customers.
- We have a well-qualified and experienced management team with a proven track record.

For details, please refer to the paragraph headed "Business — Competitive strengths" in this prospectus.

### BUSINESS STRATEGIES

We were the second largest property management service provider for public housing in terms of revenue in Hong Kong in 2016 according to the Frost & Sullivan Report. We will continue to leverage our experience and track record in the provision of property management services for public housing in Hong Kong to consolidate our leading position by expanding our service capacity in public housing. We

## SUMMARY

will also seek opportunities from other government or public bodies and in the private sector in order to diversify our reliance on the Housing Authority. However, we foresee that the Housing Authority will remain as our single largest and most important customer in the near future. To achieve our goal, we intend to pursue the following principal strategies:

- Continue to expand our service capacity in public housing
- Seek to expand and diversify our business and customer base
- Continue to increase operational efficiency and enhance the quality of services

For details, please refer to the paragraph headed “Business — Business strategies” in this prospectus.

### CUSTOMERS

The Housing Authority is our single largest and most important customer. For FY2015, FY2016 and 4M2017, the aggregate revenue attributable to the Housing Authority amounted to approximately HK\$302.8 million, HK\$342.4 million and HK\$116.7 million, respectively, representing 99.7%, 99.4% and 100% of our total revenue, respectively. According to the Frost & Sullivan Report, reliance on the Housing Authority is a common market phenomenon for the property management service providers to public housing. Our Directors consider that we have strong attributes to maintain our business relationship with the Housing Authority in the future. For details, please refer to the paragraph headed “Business — Customers — Reliance on the Housing Authority” in this prospectus.

### SUPPLIERS

During the Track Record Period, our top five suppliers included Ying Wah, being our cleaning service subcontractor (up to September 2016 as we took up all the cleaning services by our own staff after then), and our suppliers of cleaning materials, staff uniforms as well as security guard force. The aggregate fee paid to our five largest suppliers for FY2015, FY2016 and 4M2017 amounted to approximately HK\$32.5 million, HK\$17.7 million and HK\$1.5 million, respectively, representing 88.2%, 85.4% and 79.5% of the Total Procurement, respectively. Ying Wah was our largest supplier in supplying cleaning services for FY2015 and FY2016 and our fee paid to Ying Wah amounted to approximately HK\$30.2 million and HK\$14.0 million, representing 82.0% and 67.4% of the Total Procurement for FY2015 and FY2016, respectively. For 4M2017, the fee paid to our largest supplier which is an Independent Third Party, amounted to approximately HK\$619,000.

### EMPLOYEES

As at the Latest Practicable Date, we had approximately 2,270 employees to provide services to the estates managed by us. Our staff-related costs constitute a significant part of our operating expenses. For FY2015, FY2016 and 4M2017, our employee benefit expenses were approximately HK\$247.9 million, HK\$294.2 million and HK\$107.5 million, respectively, representing approximately 81.6%, 85.4% and 92.2% of our total revenue, respectively.

## SUMMARY

During the Track Record Period, the statutory minimum wage was increased from HK\$30 per hour to HK\$32.5 per hour effective on 1 May 2015, and was further raised from HK\$32.5 per hour to HK\$34.5 per hour on 1 May 2017. The change in the statutory minimum wage had not materially impacted our profitability as (i) our service fee could be adjusted by the service fee adjustment mechanism in our service contracts with the Housing Authority and (ii) we normally take into account potential changes in labour costs as early as during the tendering process. During the Track Record Period, the wages of all of our Group's employees were no less than the applicable statutory minimum wage rate effective from time to time. For details, please refer to the paragraph headed "Business — Employees, staff training and management — Statutory minimum wage" in this prospectus.

### TENDER SUCCESS RATE

The table below illustrates the tender success rate of Modern Living during the Track Record Period by type of contracts:

Year/Period	Number of tenders submitted	Number of successful tenders	Tender success rate
FY2015			
— Property management service contracts for PRH/TPS-PR estates	3*	3	100%
— Property management service contracts for private and industrial properties	2	2	100%
FY2016			
— Property management service contracts for HOS estates	3	2	66.7%
— Stand-alone security or cleaning service contracts	12	Nil	Nil
4M2017			
— Stand-alone security or cleaning service contracts	2	Nil	Nil

\* One of the three tenders was submitted in November 2014 and was awarded during FY2015.

In FY2016 and 4M2017, we were invited by the Housing Authority to tender for stand-alone security and cleaning service contracts, which we consider were less profitable than the property management service contracts in general, and all of them were unsuccessful. We consider that our failure to obtain these stand-alone service contracts was because our pricing terms were higher than the other bidders.

## SUMMARY

For further details, please refer to the paragraph headed “Business — Customers — Tender success rate” in this prospectus.

### SHAREHOLDERS’ INFORMATION

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 which may be granted under the Share Option Scheme), our Company will be owned as to 61.43% by R5A Group Limited. R5A Group Limited is owned as to approximately 55.23% by Ms. Tam, 16.28% by Mr. Sung, 13.96% by Mr. C. M. Ho, 12.79% by Mr. Tang, 1.16% by Mr. T. W. Ho and 0.58% by Mr. Yiu, respectively. As R5A Group Limited and Ms. Tam will be directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company immediately following the Listing, each of R5A Group Limited and Ms. Tam shall be regarded as a Controlling Shareholder under the GEM Listing Rules. In addition, on the basis that Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu hold their respective interests in our Company through a common investment holding company with Ms. Tam, namely, R5A Group Limited, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu are regarded as a group of Controlling Shareholders of our Company together with Ms. Tam and R5A Group Limited. For details, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

Each of our Controlling Shareholders, our Directors and their respective close associates does not have any interest apart from the business of our Group which competes or may compete with the business of our Group and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### KEY OPERATIONAL AND FINANCIAL DATA

The tables below set forth selected historical financial information of our Group during the Track Record Period, which have been derived from, and should be read in conjunction with, the Accountant’s Report set out in Appendix I to this prospectus.

#### Combined statements of comprehensive income

	<b>FY2015</b>	<b>FY2016</b>	<b>4M2016</b>	<b>4M2017</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			(unaudited)	
Revenue	303,632	344,464	114,320	116,651
Operating profit	4,787	17,044	3,808	3,815
Profit for the year/period	2,095	13,300	2,791	2,925
Profit margins:				
Operating profit margin (%)	1.6	4.9	3.3	3.3
Net profit margin (%)	0.7	3.9	2.4	2.5

## SUMMARY

### Profit margin

We recorded an operating profit margin of approximately 1.6%, 4.9% and 3.3% and a net profit margin of approximately 0.7%, 3.9% and 2.5% in FY2015, FY2016 and 4M2017, respectively.

We recorded a particularly low operating profit margin and net profit margin of approximately 1.6% and 0.7%, respectively, in FY2015. During the year ended 31 December 2014, we secured property management services contracts for 13 new public estates, the majority of which commenced services in the second half of the year ended 31 December 2014. To cater for the substantial growth and to ensure smooth takeover of the new estates, we hired a lot more estate management staff and continued to subcontract out the cleaning services for several of our new contracted estates. As a result, we were only able to generate an operating profit margin and net profit margin of approximately 1.6% and 0.7% respectively, in FY2015.

In FY2016, we were able to gain from the experience of managing a larger portfolio of 20 estates and more and exercised cost control and streamlined the workforce to gain operational efficiency. As a result, operating margin and net profit margin improved to approximately 4.9% and 3.9%, respectively, in FY2016. For 4M2017, we managed to maintain a stable operating profit margin and net profit margin.

### Combined statements of financial position

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	100,561	132,887	131,516
Non-current assets	8,884	10,388	10,190
Current liabilities	61,185	79,104	74,884
Non-current liabilities	1,266	2,571	2,458
Net assets	46,994	61,600	64,364

For details, please refer to the section headed “Financial Information” in this prospectus.

## SUMMARY

### Combined statements of cash flows

	FY2015	FY2016	4M2016	4M2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Operating profit before working capital changes	6,879	18,973	4,678	4,610
Net working capital outflow	(5,665)	(15,201)	(11,728)	(10,424)
Tax paid	(812)	(585)	—	—
Net cash generated from/(used in) operating activities	402	3,187	(7,050)	(5,814)
Net cash used in investing activities	(4,826)	(918)	(3,030)	(416)
Net cash generated from/(used in) financing activities	(397)	14,112	12,794	(5,822)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4,821)</b>	<b>16,381</b>	<b>2,714</b>	<b>(12,052)</b>
Cash and cash equivalents at the beginning of the year/period	7,502	2,681	2,681	19,062
<b>Cash and cash equivalents at the end of the year/period</b>	<b><u>2,681</u></b>	<b><u>19,062</u></b>	<b><u>5,395</u></b>	<b><u>7,010</u></b>

We recorded net cash used in operating activities of approximately HK\$5.8 million for 4M2017. Whilst we were able to generate positive operating profit before working capital changes of approximately HK\$4.6 million, this was offset by net working capital outflow of approximately HK\$10.4 million which was mainly attributable to the effect of (i) increase in trade and unbilled receivables of approximately HK\$8.2 million; and (ii) increase in prepayments, deposits and other receivables of approximately HK\$1.8 million. As a result, we recorded net cash used in operating activities of approximately HK\$5.8 million for 4M2017 (which represents the difference between operating profit before working capital changes of approximately HK\$4.6 million and net working capital outflow of approximately HK\$10.4 million).

For 4M2016, we recorded net cash used in operating activities of approximately HK\$7.1 million. This was mainly the result of positive operating profit before working capital changes of approximately HK\$4.7 million offset by net working capital outflow of approximately HK\$11.7 million which was mainly attributable to the effect of (i) increase in trade and unbilled receivables of approximately HK\$10.0 million; and (ii) decrease in other payables and accrued liabilities of approximately HK\$1.2 million. As a result, we recorded net cash used in operating activities of approximately HK\$7.1 million for 4M2016 (which represents the difference between operating profit before working capital changes of approximately HK\$4.7 million and net working capital outflow of approximately HK\$11.7 million).



## SUMMARY

### SELECTED KEY FINANCIAL RATIOS

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

	Year ended/as at		Period
	31 December		ended/as at
	2015	2016	30 April
			2017
Return on equity	4.5%	21.6%	13.6% <sup>Note</sup>
Return on total assets	1.9%	9.3%	6.2% <sup>Note</sup>
Current ratio	1.6	1.7	1.8
Net debt to equity ratio	N/A	N/A	N/A
Gearing ratio	23.3%	53.7%	45.4%

*Note: on an annualised basis*

Please refer to the section headed “Financial Information” in this prospectus for further information.

### DIVIDENDS

During the Track Record Period, we had not declared any dividend.

In October 2017, we declared a special dividend of HK\$10.0 million to our then Shareholders, which will be paid in cash before the Listing by drawdown of our existing banking facilities. Shareholders after the Share Offer will not be entitled to such dividends declared, and the foregoing should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Dividend payment will have no adverse impact on financial position and result of operations.

Our Board has absolute discretion as to whether to recommend for declaration of any dividend for any year end and if any, the amount of dividend and the means of payment, subject to the applicable laws and regulations and the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors. We currently do not have any predetermined payout ratio.

### LOANS FROM SHAREHOLDERS

We had loans from shareholders of approximately HK\$16.4 million as at 30 April 2017, which will be settled in full before the Listing by drawdown of our existing banking facilities.

### LISTING EXPENSES

The total listing expenses in relation to the Share Offer (based on the mid-point of the Offer Price range stated in this prospectus), mainly comprising fees paid or payable to professional parties and underwriting fees and commission, are expected to be approximately HK\$23.5 million, of which, (i)

## SUMMARY

approximately HK\$14.2 million is expected to be recognised as expenses in our combined statements of comprehensive income for FY2017; and (ii) approximately HK\$9.3 million is expected to be capitalised as prepayments and charged against equity upon completion of the Share Offer under the relevant accounting standards.

### FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$0.34 per Share, being the mid-point of the proposed Offer Price range of HK\$0.30 to HK\$0.38 per Share, the net proceeds to our Company for the issue of the Offer Shares, after deducting underwriting fees and estimated total expenses in the aggregate amount of approximately HK\$23.5 million paid and payable by our Company, in connection thereto, are estimated to be approximately HK\$44.5 million. We intend to apply such proceeds from the Share Offer as follows:

- (a) approximately HK\$25.8 million (representing approximately 58.0% of the net proceeds) will be applied to satisfy the additional working capital requirement of the Housing Authority and additional cash to be deposited as collateral of the performance bond for tendering for additional property management service contracts from the Housing Authority of estates with approximately 18,000 PRH units in aggregate;
- (b) approximately HK\$11.2 million (representing approximately 25.2% of the net proceeds) will be applied as the additional working capital and to satisfy additional cash to be deposited as collateral of the performance bond for tendering for additional stand-alone cleaning service contracts or security service contracts from the Housing Authority;
- (c) approximately HK\$6.0 million (representing approximately 13.5% of the net proceeds) will be applied to undertake additional service contracts for HOS estates, public facilities, private residential or industrial properties;
- (d) approximately HK\$0.8 million (representing approximately 1.8% of the net proceeds) will be applied to upgrade our computer systems and develop a mobile application with an aim to improve our operational efficiency and enhance the quality of services; and
- (e) the balance of approximately HK\$0.7 million (representing approximately 1.5% of the net proceeds) as general working capital of our Group.

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

### REASONS FOR THE SHARE OFFER

Our Directors consider that the provision of property management services is capital intensive. According to 2017 Policy Address, the Government will continue to increase the public housing supply in a fast pace and aim to build over 94,000 public housing units in the fiscal years 2016/17 to 2020/21. Due to the Government’s limited resources, our Directors believe that the Government will continue its policy to outsource property management services, which creates an opportunity for ample business growth of our Group. To tender for new service contracts from the Housing Authority, we are required to (i) provide performance bond issued by a Hong Kong licenced bank which requires us to deposit a

## SUMMARY

certain percentage of the total value of the performance bond as collateral, and (ii) retain a minimum working capital level equivalent to a portion of the contract sum of all service contracts undertaken by us. Moreover, to manage a new estate, we require additional working capital to set up a new estate management team and to hire new direct labour to carry out the necessary services such as security and cleaning services.

Prior to the Listing, funding of our business activities primarily came from our internally generated cash flow, bank borrowings and factoring facilities. Hence, our Directors believe that the Listing is essential for the future development and expansion of our Group as not only can it raise our equity capital base and allow our Group access to the capital market to fund future business development, but also enable us to seek bank financing and negotiate performance bonds at more favourable terms as a listed company.

Apart from raising equity capital via Listing, our Directors have considered debt financing as another fund-raising option. Our Directors consider that debt financing will inevitably increase our gearing and increase our credit risk should our equity base not be increased simultaneously to support the additional debt level. It also incurs additional interest and imposes additional financial burden on our Group. Our Group's gearing ratio was approximately 45.4% as at 30 April 2017.

Based on the above, our Directors believe that the Share Offer will be the suitable fund-raising means to provide our Group with additional equity capital for our business strategies. Please refer to the paragraph headed "Business — Business strategies" in this prospectus for more details of our business strategies.

### SHARE OFFER STATISTICS

	<b>Based on a Offer Price of HK\$0.30 per Offer Share</b>	<b>Based on a Offer Price of HK\$0.38 per Offer Share</b>
Market capitalisation of our Shares <sup>(Note 1)</sup>	HK\$240 million	HK\$304 million
Unaudited pro forma adjusted combined net tangible assets per Share <sup>(Note 2)</sup>	HK\$0.13	HK\$0.15

*Notes:*

- (1) The calculation of market capitalisation is based on 800,000,000 Shares expected to be in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme).
- (2) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments as referred to under the paragraph headed "Unaudited pro forma statement of adjusted net tangible assets" in Appendix II to this prospectus and on the basis of 800,000,000 Shares in issue at the respective Offer Price of between HK\$0.30 and HK\$0.38 per Share immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme). The unaudited pro forma net tangible assets per Share does not take into account the dividend of HK\$10 million declared by our Group in October 2017. The unaudited pro forma net tangible assets per Share would have been HK\$0.11 and HK\$0.13 per share based on the Offer Price of HK\$0.30 and HK\$0.38, after taking into account the declaration of dividend of HK\$10 million.

## SUMMARY

### RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. They can be broadly categorised into risks associated with our business and the Share Offer, among which, the relatively material risks encompass the following:

- Almost all of our revenue during the Track Record Period was generated from service contracts awarded by the Housing Authority and there is no assurance that we will be able to remain listed on the HA Lists.
- Our service contracts are mainly awarded through competitive tendering. There is no guarantee that our existing service contracts will be extended upon expiry or new service contracts will be awarded to us.
- We use internal resources, bank borrowings and factoring facilities to finance our operating expenses and working capital requirements.
- We had a thin profit margin during the Track Record Period and thus any adverse movement in costs will have a material impact on our profitability.

Details of these risks are set out in the section headed “Risk Factors” in this prospectus.

### LITIGATION

In carrying out our ordinary course of business, we are subject to the risk of being sued or named as a defendant in legal actions, claims or disputes. The nature of legal proceedings initiated against our Group generally includes (i) claims for employees’ compensation by our Group’s employees; (ii) claims for personal injuries; and (iii) labour disputes. During the Track Record Period and up to the Latest Practicable Date, there was an on-going litigation against us which involves a claim by a former employee under the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong). Please refer to the paragraph headed “Business — Litigation and potential claims” in this prospectus for further details. Save as disclosed above, no member of our Group was involved in any litigation, arbitration or claim of material importance and, so far as our Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group as at the Latest Practicable Date.

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, we continued to provide property management services to the Housing Authority in Hong Kong. After the Track Record Period, the statutory minimum wage was revised from HK\$32.5 per hour to HK\$34.5 per hour effective on 1 May 2017. Our profits were not materially impacted by the change in the statutory minimum wage. Please refer to the paragraph headed “Business — Employees, staff training and management — Statutory minimum wage” for further details.

Based on the unaudited management accounts for our Group for the eight months ended 31 August 2017, as compared to the corresponding period in 2016, our subcontracting cleaning fee substantially decreased. This was because we ceased all subcontracting arrangement with Ying Wah in September

## SUMMARY

2016 and have carried out all the cleaning services by ourselves since then. As a result, our employee benefit expenses for our cleaning employees have increased for the eight months ended 31 August 2017 as compared to the corresponding period in 2016, as we hired more cleaning staff after taking up all the cleaning service by ourselves since September 2016. We also expect an increase in compliance cost after the Listing and to record a loss in FY2017 mainly as a result of recognition of listing expenses. Based on the unaudited management accounts for our Group for the month ended 31 August 2017, we recorded a decrease in cash and bank balances. Our cash and bank balances as at 31 August 2017 was approximately HK\$3.1 million, as compared to that of approximately HK\$13.0 million as at 30 April 2017. Such decrease was mainly due to repayment of borrowings and payment of listing expenses.

Our Directors confirm that, up to the date of this prospectus, save as disclosed above, there has been no material adverse change in our financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information set forth in the Accountant's Report in Appendix I to this prospectus.

## DEFINITIONS

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

“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or where the context so requires, any of them that are used in connection with the Public Offer
“Articles of Association” or “Articles”	articles of association of our Company adopted on 24 October 2017, which will be effective upon the Listing, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“Board”	our board of Directors
“Building Management Ordinance”	the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day(s)”	any day(s) (other than Saturday(s), Sunday(s) or public holiday(s)) in Hong Kong on which banks in Hong Kong are open generally for normal banking business to the public
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 599,997,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Company and the subsidiaries — 4. Written resolutions of all 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

## DEFINITIONS

“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(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “us” or “we”	Modern Living Investments Holdings Limited (雅居投資控股有限公司), an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 26 June 2017
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and unless the context requires otherwise, collectively refers to R5A Group Limited, Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T.W. Ho and Mr. Yiu
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“Counsel”	Ms. Ng Wing Shan Queenie, barrister-at-law in Hong Kong
“Deed of Indemnity”	the deed of indemnity dated 24 October 2017 entered into by our Controlling Shareholders in favour of our Company (on its own behalf and as the trustee of its subsidiaries), details of which are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus

## DEFINITIONS

“Deed of Non-Competition”	the deed of non-competition dated 24 October 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the paragraph headed “Relationship with Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Director(s)” or “our Directors”	the director(s) of our Company or any one of them
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department” or “EPD”	the Environmental Protection Department of the Government
“Food and Environmental Hygiene Department” or “FEHD”	the Food and Environmental Hygiene Department of the Government
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research and consulting company
“Frost & Sullivan Report”	a market research report in respect of the property management service market in Hong Kong issued by Frost & Sullivan and commissioned by our Group
“FY2015”	the year ended 31 December 2015
“FY2016”	the year ended 31 December 2016
“FY2017”	the year ending 31 December 2017
“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
“Government”	the government of Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider designated by our Company



## DEFINITIONS

“Group”, “our Group”, “us” or “we”	our Company, its subsidiaries or any of them, or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, our Company’s current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
“ <b>HK eIPO White Form</b> ”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <b>www.hkeipo.hk</b>
“ <b>HK eIPO White Form Service Provider</b> ”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <b>www.hkeipo.hk</b>
“HKFRSs”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hong Kong dollars”, “HKD”, “HK\$” and “cents”	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
“Housing Authority”	the Hong Kong Housing Authority, a statutory body established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong)
“Housing Department”	the Hong Kong Housing Department of the Government, an executive arm of the Housing Authority which is responsible for the management of public housing in Hong Kong
“Huabang”	Huabang Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Independent Third Party(ies)”	person(s) or company(ies) which, to our Directors’ best knowledge, information and belief, having made all reasonable enquiries, is/are not a connected person(s) (as defined in the GEM Listing Rules) of our Company

## DEFINITIONS

“Joint Bookrunners” or “Joint Lead Managers”	Huabang and Ballas Capital
“Latest Practicable Date”	22 October 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Link REIT”	Link Real Estate Investment Trust (Stock Code: 823), a real estate investment trust listed in Hong Kong managed by Link Asset Management Limited
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date expected to be on or about 10 November 2017, on which our Shares are listed and from which dealings therein are permitted to take place on GEM
“Mandatory Provident Fund Schemes Ordinance”	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Memorandum of Association” or “Memorandum”	memorandum of association of our Company adopted on 24 October 2017, which will be effective upon the Listing, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Modern Living”	Modern Living Property Management Limited (雅居物業管理有限公司), a company incorporated under the laws of Hong Kong on 17 October 2001 with limited liability and an indirect wholly-owned subsidiary of our Company
“Modern Living Investments”	Modern Living Investments Limited, a company incorporated in the BVI with limited liability on 27 June 2017 and a direct wholly-owned subsidiary of our Company
“Mr. C. M. Ho”	Mr. Ho Chu Ming (何柱明), an ultimate owner of approximately 13.96% in R5A Group Limited, and one of our executive Directors and the Chairman of our Company. Mr. C. M. Ho is one of our Controlling Shareholders
“Mr. K. T. Ho”	Mr. Ho King Tung (何景東), one of our Shareholders
“Mr. Ng”	Mr. Ng Fuk Wah (吳福華), our chief executive officer, one of our executive Directors and the spouse of Ms. Tam

## DEFINITIONS

“Mr. Sung”	Mr. Sung Alfred Lee Ming (宋理明), an ultimate owner of approximately 16.28% in R5A Group Limited, and one of our executive Directors. Mr. Sung is one of our Controlling Shareholders
“Mr. T. W. Ho”	Mr. Ho Tik Wai (何迪威), an ultimate owner of approximately 1.16% in R5A Group Limited. Mr. T. W. Ho is one of our Controlling Shareholders
“Mr. Tang”	Mr. Tang Kong Fuk (鄧降福), an ultimate owner of approximately 12.79% in R5A Group Limited, and one of our executive Directors. Mr. Tang is one of our Controlling Shareholders
“Mr. Yiu”	Mr. Yiu Ping Keung (姚炳強), an ultimate owner of approximately 0.58% in R5A Group Limited. Mr. Yiu is one of our Controlling Shareholders
“Mr. Yun”	Mr. Yun Kwok King (殷國煙), one of our Shareholders and a member of our senior management
“Ms. Lok”	Ms. Lok Sau Lin (駱秀蓮), one of our Shareholders
“Ms. Tam”	Ms. Tam Mo Kit (譚慕潔), an ultimate owner of approximately 55.23% in R5A Group Limited, and one of our non-executive Directors. Ms. Tam is the spouse of Mr. Ng and she is one of our Controlling Shareholders
“Ms. Yeung”	Ms. Yeung Siu Wen (楊秀雲), one of our Shareholders
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.38 per Share and expected to be not less than HK\$0.30 per Share at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Share(s)”	collectively, the Placing Shares and the Public Offer Shares
“Placing”	the conditional placing by the Placing Underwriter(s) on behalf of our Company of the Placing Shares for cash at the Offer Price, as further described under the section headed “Structure and Conditions of the Share Offer” in this prospectus

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“Placing Shares”	the 180,000,000 Shares (subject to reallocation) being initially offered by our Company for subscription under the Placing, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) which 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 around 6 November 2017 by, among others, our Company, our executive Directors, our Controlling Shareholders, Ms. Lok, Ms. Yeung, Mr. Yun, Mr. K.T. Ho, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriter(s) relating to the Placing
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from to time before the commencement date of the Companies Ordinance
“Price Determination Agreement”	the agreement to be entered into between our Company and Ballas Capital (for itself and on behalf of the Underwriters) on or about the Price Determination Date to determine the Offer Price
“Price Determination Date”	the date expected to be on or about 6 November 2017 or such later date as may be agreed between our Company and Ballas Capital (for itself and on behalf of the Underwriters), on which the Offer Price is fixed for the purpose of the Share Offer
“Property Management Services Ordinance”	the Property Management Services Ordinance (Chapter 626 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Public Offer”	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 20,000,000 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” in this prospectus
“Public Offer Underwriters”	the underwriter(s) of the Public Offer, whose names are set out under the paragraph headed “Underwriting — Underwriters — Public Offer Underwriters” in this prospectus

## DEFINITIONS

“Public Offer Underwriting Agreement”	the underwriting agreement dated 30 October 2017 and entered into by our Company, our executive Directors, our Controlling Shareholders, Ms. Lok, Ms. Yeung, Mr. Yun, Mr. K. T. Ho, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters relating to the Public Offer
“R5A Group Limited”	R5A Group Limited, a company incorporated in the BVI with limited liability on 23 June 2017 and owned as to 55.23%, 16.28%, 13.96%, 12.79%, 1.16% and 0.58% by Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu, respectively. R5A Group Limited is one of our Controlling Shareholders
“Regulation S”	Regulation S under the US Securities Act
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Group Structure — Reorganisation” in this prospectus
“Security and Guarding Services Ordinance”	the Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 24 October 2017, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)” or “our Shareholders”	holder(s) of the Share(s)
“Sole Sponsor” or “Ballas Capital”	Ballas Capital Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Listing

## DEFINITIONS

“sq.ft.”	square feet
“sq.m.” or “m <sup>2</sup> ”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Total Procurement”	the total sum of our subcontracting cleaning and cleaning material costs, security expenses, repair and maintenance cost and costs of other materials consumed and expensed
“Track Record Period”	the periods comprising FY2015, FY2016 and 4M2017
“Underwriter(s)”	the Public Offer Underwriter(s) and the Placing Underwriter(s)
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US”	the United States of America
“US dollars”, “USD” or “US\$”	United States dollar(s), the lawful currency of the United States
“US Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“Waste Disposal Ordinance” or “WDO”	the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“Ying Wah”	Ying Wah Cleaning Service Limited (英華清潔服務有限公司), a company incorporated in Hong Kong on 6 September 2000 with limited liability. As at the Latest Practicable Date, Ying Wah was owned as to 60% by the father of Ms. Yeung and Ms. Yeung was a director of Ying Wah
“4M2016”	the four months ended 30 April 2016

## DEFINITIONS

“4M2017” the four months ended 30 April 2017

“%” per cent.

*Unless otherwise expressly stated or the context otherwise requires, in this prospectus,*

- *the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “core connected person(s)”, “connected transaction(s)”, “subsidiary(ies)”, “substantial shareholder(s)” and “significant shareholder(s)” shall have the meanings ascribed to such terms in the GEM Listing Rules;*
- *all data in this prospectus is as of the Latest Practicable Date; and*
- *certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

## GLOSSARY OF TECHNICAL TERMS

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

“BRO”	the Buy or Rent Option (可租可買計劃), a scheme introduced by the Housing Authority to offer prospective public rental tenants the option to buy their own home
“BRO-PR estate(s)”	public estate(s) under the BRO with unsold PRH flats
“CCPI”	composite consumer price index in Hong Kong compiled and issued by the Census and Statistics Department of the Government
“Group PS1”	a subcategory of the HA List of PSAs who are eligible to tender for PS1 contracts and manage no more than 4,000 domestic units
“Group PS2”	a subcategory of the HA List of PSAs who are eligible to tender for PS1 and PS2 contracts and manage more than 4,000 domestic units
“HA Guide”	the Housing Authority’s Guide to Registration of Works Contractors and Property Management Services Providers
“HA Lists”	the approved lists of the Housing Authority which include the HA List of Cleansing Service Contractors, HA List of Security Service Contractors and HA List of PSAs
“HOS”	Home Ownership Scheme (居者有其屋計劃), a subsidised-sale programme of public housing in Hong Kong managed by the Housing Authority
“HOS estate(s)”	public estate(s) under the HOS
“HA List of Cleansing Service Contractors”	an approved list of cleansing service contractors maintained by the Housing Authority under which the cleansing service contractors are eligible to tender for cleansing contracts of the Housing Authority
“HA List of PSAs”	an approved list of PSAs maintained by the Housing Authority under which the PSAs are subcategorised into Group PS1 and Group PS2 and are eligible to tender for property management service contracts of the Housing Authority
“HA List of Security Service Contractors”	an approved list of security service contractors maintained by the Housing Authority under which the security service contractors are eligible to tender for security service contracts of the Housing Authority



## GLOSSARY OF TECHNICAL TERMS

“ISO”	International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“Marking Scheme”	Marking Scheme for Estate Management Enforcement in Public Housing Estate promulgated by the Housing Authority
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
“open tender”	the form of tender where all interested and eligible contractors are free to submit their tenders
“PRH”	public rental housing (公共租住房屋), a type of public housing managed by either the Housing Authority or the Hong Kong Housing Society, which is rented at discounted rates to low-income residents
“PS1 contract(s)”	property management service contracts covering all property management services, including tenancy management, security services, cleansing services and minor maintenance works
“PS2 contract(s)”	property management service contracts covering all services under PS1 contracts plus the provision of repair and maintenance works
“PSA(s)”	property services agent(s) who is/are under the HA List of PSAs and eligible to tender for PS1 contracts or PS2 contracts
“Quarterly Report of Wage and Payroll Statistics”	Quarterly Report of Wage and Payroll Statistics compiled and issued by the Census and Statistics Department of the Government on a quarterly basis
“TPS”	Tenants Purchase Scheme (租者置其屋計劃), a subsidised-sale programme of rental housing in Hong Kong managed by the Housing Authority, where tenants can opt to purchase their flats upon satisfying the requirements
“TPS-PR estate(s)”	public estate(s) under the TPS with unsold PRH units
“WCL”	the workload capping limits adopted by the Housing Authority, which is the maximum level of work which a contractor can undertake under contracts awarded by the Housing Authority

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that state our Company's belief, expectations, or intentions for the future. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus. These statements relate to events that involve known and unknown risks, assumptions, uncertainties and other factors, including those listed under the section headed "Risk Factors" in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include statements relating to:

- our operations and business prospects;
- our business objectives, strategies, implementation plans and use of proceeds;
- the regulatory environment of our industry in general;
- our financial conditions and performance;
- our dividend policy;
- capital market development;
- the effects of the global financial markets and economic crisis;
- the nature of, and potential for, future development of our business; and
- future development in our industry.

The words "aim", "anticipate", "believe", "can", "could", "estimate", "expect", "foresee", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "shall", "should", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including the risk factors described in the section headed "Risk Factors" in this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation nor do we intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this prospectus.

## RISK FACTORS

*You should carefully consider all the information set forth in this prospectus, including the risks described below, before making any investment in our Shares. The occurrence of any of the following risks may have a material adverse effect on our business, financial condition, results of operations and future prospects. The trading price of the Offer Shares could decline due to any of these risks, and you may lose part or all of your investment.*

### RISKS RELATING TO OUR BUSINESS

**Almost all of our revenue during the Track Record Period was generated from service contracts awarded by the Housing Authority and there is no assurance that we will be able to remain listed on the HA Lists**

The Housing Authority is our single largest and most important customer. For FY2015, FY2016 and 4M2017, our revenue generated from service contracts awarded by the Housing Authority represented approximately 99.7%, 99.4% and 100% of our total revenue, respectively.

The Housing Authority normally awards service contracts to contractors by way of invitation to tender. The Housing Authority maintains permanent lists of qualified service providers, including separate lists for (i) property services agents, (ii) security service contractors and (iii) cleansing service contractors. Service providers, upon admitted to the relevant HA Lists, will be considered eligible to tender for the relevant service contracts from the Housing Authority in the respective category of services, subject to certain tender limits and the management rules and the procurement strategy of the Housing Authority. In order to remain listed on the HA Lists, annual renewal is required. For details, please refer to the paragraph headed “Regulatory Overview — The Hong Kong laws in relation to the Property Management Industry — Requirements for retention of PSAs in the HA Lists” in this prospectus.

Our performance and service quality is under continuous supervision by the Housing Authority. In addition to the monthly audit by the Housing Authority, the officers of the Housing Authority who supervise the performance of the service contracts will give performance score based on an objective assessment methodology stipulated by the Housing Authority. Regular meetings of contractors’ review committee of the Housing Authority will normally be held on a quarterly basis to discuss the overall performance scores of the PSAs. If our performance or service quality is found unsatisfactory or fails to meet the standards required by the Housing Authority, the Housing Authority shall have the power to make adverse reports and take regulatory actions against us. For details, please refer to the paragraph headed “Regulatory Overview — The Hong Kong laws in relation to the Property Management Industry — Requirements for retention of PSAs in the HA Lists” in this prospectus.

Further, we expect that the Housing Authority will continue to be our largest customer in the near future. There is no assurance that (i) we can diversify our customer base to include other customers to replace any such loss of revenue generated from the service contracts awarded by the Housing Authority; (ii) we can meet the retention requirements or the retention requirements will remain unchanged from time to time; and (iii) we can keep up with the required standards so that no regulatory actions will be taken against us. If (i) we are unable to successfully tender for service contracts from the

## RISK FACTORS

Housing Authority or if there is a significant decrease in our tender success rate; (ii) we fail to remain on the HA Lists; and (iii) regulatory action is imposed upon us by the Housing Authority; our business and financial positions and prospects could be materially and adversely affected.

### **Our future growth will be affected if we are unable to utilise or raise our tender limits or diversify our customer base**

Our future growth and success are dependent on our ability to continue to secure new contracts as well as our ability to diversify our customer base. As detailed in the paragraph headed “Business — Customers — Limits on the PSAs imposed by the Housing Authority” in this prospectus, as one of the PSAs in the HA List of PSAs, we are subject to WCL of 85,000 effective units with a 5% allowance in excess of WCL of 4,250 effective units with effect from 1 December 2016. As at the Latest Practicable Date, we took up 69,428 effective units, representing approximately 77.8% of the maximum 89,250 effective units, being the WCL of 85,000 effective units plus the 5% allowance. To maximise our growth, we have to strategically utilise our tender limits with reference to the calculation of the number of effective units in PRH estates, TPS-PR estates and BRO-PR estates. On the other hand, even if we manage to utilise our tender limits to the maximum extent from time to time, such WCL may limit our growth of business since we will not be eligible for tendering for additional property management service contracts if the number of effective units managed by us exceeds the WCL. The setting of the WCL from time to time is out of our control and at the discretion of the Housing Authority.

In addition, in light of our significant reliance on the Housing Authority and our focus on managing public housing estates, we will consider opportunities in service contracts of HOS estates, other Government or public bodies and the private sector, which we believe can generate additional sales growth and diversify our customer base.

There is no assurance that our strategy of maximising the number of effective units managed by us under the WCL would be implemented in the way that we have anticipated since the number of units in different estates varies, which is beyond our control. We also cannot guarantee that we will be able to diversify our business and customer base by obtaining significant number of new projects from other potential customers, in which case our future growth may be limited.

### **Our service contracts are mainly awarded through competitive tendering. There is no guarantee that our existing service contracts will be extended upon expiry or new service contracts will be awarded to us**

Our service contracts are mainly awarded through competitive tendering. During the Track Record Period, all of our revenue was generated from service contracts awarded through tendering. For our historical tender success rate during the Track Record Period, please refer to the paragraph “Business — Customers — Tender success rate” in this prospectus. Extension of our existing service contracts is also subject to a set of criteria including our performance and the quality of services which we provide. There is no guarantee that new service contracts will be awarded to us or that our existing service contracts will be extended upon expiry.

The Housing Authority evaluates tenders based on different financial and non-financial considerations. Other customers such as incorporated owners of private properties usually maintain an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to

## RISK FACTORS

time. There is no assurance that we will meet the tendering requirements or that our overall score under the customers' evaluation system can be maintained. In case of such events, we may not be awarded the tender and furthermore, our reputation, business operations, financial results and profitability may be adversely affected.

Even if we are invited by potential customers to submit a tender, there is no assurance that (i) our tenders would be selected by the customers or (ii) the terms and conditions of the new service contracts would be comparable to the existing service contracts. In the competitive tendering process, we may have to lower our service charges or offer more favourable terms to our customers in order to increase the competitiveness of our tenders, and if we are unable to reduce our costs accordingly, our financial results and profitability would be adversely affected.

### **New licencing requirements for property management companies will come into force**

As at the Latest Practicable Date, there was no licencing requirement for property management companies and practitioners for providing property management services. However, the Property Management Services Ordinance, which aims to regulate property management service companies and practitioners, was passed by the Legislative Council of Hong Kong in May 2016. Some of the key provisions of the ordinance have not yet come in force. For details, please refer to the paragraph headed "Regulatory Overview — Licence Regime for Property Management Services" in this prospectus.

When the key provisions of the Property Management Services Ordinance fully come into force, we and some of our employees will need to obtain practicing licences to provide property management services. We cannot provide any assurance that we and our employees would be able to obtain the necessary licences immediately upon the key provisions coming into force, or at all. If there is any delay in the application for licences, we may need to suspend or terminate our existing property management services. Furthermore, even if we and our employees successfully obtain the necessary licences, there is no guarantee that the licences will not be revoked or suspended by the relevant regulatory authorities if there are grounds giving rise to such revocation or suspension. In the event that any licence is revoked or suspended, our business operation may have to be suspended or terminated, and our financial results would be materially adversely affected.

### **We use internal resources, bank borrowings and factoring facilities to finance our operating expenses and working capital requirements**

In respect of our business, there are often time lags between making payments to our employees and receiving payments from the Housing Authority. We pay salaries to our employees on a monthly basis, while our average trade receivable turnover days were approximately 48.2 days, 51.5 days and 58.2 days for FY2015, FY2016 and 4M2017, respectively. Thus, during the Track Record Period, apart from our internally generated cash flow, we use bank borrowings and factoring facilities to finance our operating expenses and working capital requirements. If our Group fails to properly manage its cash flow, our Group's liquidity and financial position could be materially and adversely affected.

## RISK FACTORS

### **We may face credit risk in respect of our trade and unbilled receivables**

Our Group is exposed to concentration of credit risk as all our trade receivables were due from a single customer, namely the Housing Authority. There can be no assurance that the Housing Authority will settle our invoices on time and in full.

As at 31 December 2015, 2016 and 30 April 2017, our trade and unbilled receivables amounted to approximately HK\$54.5 million, HK\$65.3 million and HK\$73.5 million, respectively and we had not recorded any provision for impairment of trade and unbilled receivables during the Track Record Period. We cannot assure you that our trade and unbilled receivables can be collected and will not be impaired. Any difficulty in collecting a substantial portion of our trade and other receivables could materially and adversely affect our cash flows and financial positions.

### **Provision of property management services on a lump sum basis could subject us to losses**

During the Track Record Period, we primarily generated our revenue from services which we charged on a lump sum basis, subject to an annual fee adjustment mechanism with reference to changes in (i) the CCPI and (ii) the indices of payroll of persons working as general cleaners and security guards extracted from the Quarterly Report of Wage and Payroll Statistics. Our service contracts with the Housing Authority generally have an initial term of three years and are extendable for further two years after evaluation. We generally rely on our costs assessment when we decide to submit tender for service contract.

During the Track Record Period, we experienced an increment in various costs, including labour costs and cleaning materials costs. In the event that the amount of fees we collected is insufficient to cover all of our costs incurred for the provision of management services, we are not entitled to collect the shortfall from the Housing Authority. If we fail to project the costs increment when we submit a tender for service contract or fail to implement our cost control measures to avoid cost overrun or the increase in costs outpaces the upward adjustment of our fee, we may suffer losses which could result in a material adverse effect on our profitability, financial position and results of operations.

### **We had a thin profit margin during the Track Record Period and thus any adverse movement in costs will have a material impact on our profitability**

For FY2015, FY2016 and 4M2017, our total revenue amounted to approximately HK\$303.6 million, HK\$344.5 million and HK\$116.7 million, respectively. We recorded operating profit of approximately HK\$4.8 million, HK\$17.0 million and HK\$3.8 million respectively, and an operating profit margin of approximately 1.6%, 4.9% and 3.3% in FY2015, FY2016 and 4M2017, respectively. We recorded net profit of approximately HK\$2.1 million, HK\$13.3 million and HK\$2.9 million for FY2015, FY2016 and 4M2017, respectively, representing a net profit margin of approximately 0.7%, 3.9% and 2.5%, respectively. For details, please refer to the paragraph headed “Financial Information — Description of certain income statement items — Operating profit and operating profit margin” in this prospectus.

Our profit is sensitive to movement in costs. Any significant increase in costs will adversely affect our profitability in the future. There is no assurance that our results of operation will continue to improve in the future.

## RISK FACTORS

### **We had cash outflow from operating activities for 4M2016 and 4M2017**

For 4M2016 and 4M2017, our cash outflow from operating activities amounted to approximately HK\$7.1 million and HK\$5.8 million, respectively. Whilst we were able to generate positive operating profit before working capital changes of approximately HK\$4.7 million and HK\$4.6 million in 4M2016 and 4M2017, respectively, this was offset by net working capital outflow of approximately HK\$11.7 million and HK\$10.4 million in 4M2016 and 4M2017, respectively. For details, please refer to the paragraph headed “Financial Information — Liquidity and capital structure — Net cash generated from/ (used in) operating activities” in this prospectus.

There is no assurance that we will not experience cash outflow from operating activities in the future. In the event that we fail to maintain sufficient cash inflow from operating activities, we may default on our payment obligations and may not be able to meet our capital expenditure requirements which may in turn have a material adverse impact on our business, financial condition, results of operations and our business prospects.

### **Litigation or legal proceedings could expose us to liability, divert our attention and negatively impact our reputation**

Like all operators in the property management industry, we face an inherent risk of litigious claims. In carrying out our ordinary course of business, we may be subject to the risk of being named as a party in a regulatory or legal actions, claims and disputes in connection with our business activities, such as labour disputes, personal injuries claims or contractual disputes.

Notwithstanding our occupational health and work safety measures, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk in the course of the provision of our property management services which may materially and adversely affect our business operations as well as our financial position. In addition, failure to maintain work safety measures may lead to regulatory action taken by the Housing Authority against us. Such accidents may expose us to litigious claims or legal proceedings. Please refer to the paragraph headed “Business — Litigation and potential claims” in this prospectus for further information.

If we are involved in any litigation or legal proceedings, the outcome of such proceedings could be uncertain and could result in settlements or results which could adversely affect our financial condition. In addition, any litigation or legal proceedings could involve substantial legal expenses as well as significant time and attention of our management, diverting their attention from our operations.

### **If we are unable to respond to the change in statutory minimum wage, our business and financial results may be adversely affected**

Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011. Since 1 May 2017, the statutory minimum wage rate has been adjusted to HK\$34.5 per hour. Higher statutory minimum wage rate may increase competition for qualified employees, which may indirectly result in higher salaries of our employees.



## RISK FACTORS

Further, the salary level of employees in the property management service industry in Hong Kong has been increasing in recent years. For FY2015, FY2016 and 4M2017, our employee benefit expenses amounted to approximately HK\$247.9 million, HK\$294.2 million and HK\$107.5 million, respectively, representing approximately 81.6%, 85.4% and 92.2% of our total revenue during the respective periods.

We may not be able to increase our fees to pass all these increased costs onto our customers, in which case our business and results of operations would be materially and adversely affected. In addition, although we are entitled to adjust our fee every 12 months under the fee adjustment mechanism provided in our service contracts with the Housing Authority, for details please refer to the paragraph headed “Business — Customers — Major terms of our service contracts” in this prospectus, we have to pay the increased costs upfront before we can increase our fees in the next adjustment which would in turn strain our financial resources during such period.

### **We are subject to uncertainty in relation to materialising expansion plan and implementing growth strategies**

Our future business plans are based on existing intention of our Directors and some of them are at conceptual or preliminary stages. Our Directors are considering expanding our service capacity in public housing as well as expanding and diversifying our services to HOS estates, other Government or public bodies and the private sector. However, such move may create pressure on our managerial, technical, financial, operational and other resources allocation. Besides, we are subject to the WCL imposed by the Housing Authority which may limit our future growth. Further, our future business plans may be hindered by other factors beyond our control, such as competition from other property management service companies. Therefore, there is no assurance that our expansion plans would be materialised or our growth strategies would be implemented in a way that we have anticipated, in which case our business and results of operations may be materially and adversely affected.

During the Track Record Period, we mainly competed with other service providers on the HA Lists for service contracts awarded by the Housing Authority. With a plan to diversify our business to provide services to HOS estates, other Government or public bodies and the private sector, we will face competition from other service providers in securing service contracts for HOS estates, other Government or public bodies and the private sector. As part of competition, we may sometimes be required to reduce our fees or to maintain low service fee. As a result, this will have an adverse impact on our profitability. There is no assurance that we will be able to compete successfully against our current and future competitors. If we are unable to maintain our competitive edge or otherwise unable to respond to market pressure effectively, our market share and profitability may be adversely affected.

### **Any failure or perceived failure to deal with complaints from residents and occupiers or adverse publicity about us could materially and adversely impact our reputation, business and/or results of operations**

We receive complaints from residents or occupiers from time to time in our operation. Although we are not aware of any material complaint or grievances regarding our service quality or complaint handling procedures during Track Record Period and up to the Latest Practicable Date, we cannot assure that every resident and occupier’s feedback or complaint would be handled and resolved in the manner satisfying their expectations in the future. The decrease in the satisfaction in our service quality by the



## RISK FACTORS

residents and occupiers may cause a decrease in the assessment score we obtain from the Housing Authority, which may materially affect our chance of winning future tender or extending existing service contracts.

We can also be subject to negative publicity or news reports or allegations in printed and online media, whether accurate or not, including issues regarding transparency and fairness of tendering process, our property management service quality and our relationship with our staff which may adversely affect our corporate image and reputation. Any such negative publicity may potentially affect customers' and the public's confidence in us and perception of our business, which could materially harm our business, brand and results of operations.

Significant numbers of complaints or claims against us or any adverse publicity resulting from such complaints or claims, even if meritless or frivolous, could force us to divert management and other resources from other business concerns and cause residents or customers to lose confidence in us, which may adversely affect our business and operations.

### **Negative press report alleging our circumvention of a higher level approval of the Housing Authority**

In February 2017, there was a negative press report alleging that Modern Living was involved in corruption with the staff of the Housing Authority in relation to 13 construction projects valued at HK\$8.5 million, including splitting of the construction projects into smaller works orders in order to circumvent a higher level of approval by the Housing Authority. The 13 construction projects stated in the press report relate to the replacement of doors in public areas and the renovation of tiles in Kwai Fong estate, which were necessary in light of the condition of the estate. For details, please refer to the paragraph headed "Business — Negative press report alleging our circumvention of a higher level approval of the Housing Authority" in this prospectus.

There may be negative press reports regarding our Group in the future. In addition, we may face allegations and complaints made by various third parties and in media reports. Whether or not justified, any incidents, regulatory investigations or reports through the media or other third parties of alleged corruption or other illegal activities involving our Group, our Directors, officers, employees or Shareholders, could harm our reputation and our corporate image, or otherwise affect our ability to conduct our business, and may therefore have a material adverse effect on our business prospects, financial condition and results of operations.

### **We rely on key management personnel and our business operation may be adversely affected if we are unable to retain them without suitable replacement**

Our success is largely attributable to the continued commitment and contribution of our Directors and other members of the senior management as described in the section headed "Directors, Senior Management and Staff" in this prospectus. Their extensive knowledge and experience in the property management industry have played a major role in our attainments. Nevertheless, there is no assurance that we will be able to retain these key personnel, and the loss of any of them without suitable replacements, or the inability to attract and retain qualified personnel may adversely affect our operations, revenue and profits.

## RISK FACTORS

### **Unsatisfactory performance, defaults and neglects of the subcontractors will adversely affect our reputation**

During the Track Record Period, we subcontracted some of our cleaning services to Ying Wah until September 2016, after which we took up all the cleaning services by ourselves. The subcontracting charges incurred by us were approximately HK\$30.2 million and HK\$14.0 million for FY2015 and FY2016, respectively. In future, we may engage subcontractors again to cater for the growth of our business whenever necessary for operational flexibility. There can be no assurance that the performance of our subcontractors will always meet our service requirements, which in turn may affect our reputation and our overall management quality. Furthermore, we are responsible for the acts, defaults and neglects of our subcontractors as if they were our acts, defaults and neglects. Hence, there is a risk that our operations, revenue and profits may be affected due to any wrongful acts, defaults or negligence of our subcontractors.

### **We hold a significant amount of money in trustee bank accounts on behalf of the Housing Authority and we may not be able to detect, deter and prevent all instances of fraud or other misconduct committed by our employees**

In performing of our financial management services to public estates, we are responsible for certain bookkeeping and provision of accounting services to the Housing Authority. As at 31 December 2015 and 2016 and 30 April 2017, our Group held a total of approximately HK\$65.0 million, HK\$75.3 million and HK\$98.7 million, respectively in various trustee bank accounts on behalf of the Housing Authority, for the estate common areas which are jointly owned by the Housing Authority and Link REIT of various estates. Such bank accounts opened and operated by us as trustee are solely for the purpose of collecting management fees and making payment for outgoings and daily operation of the estate common areas, which are managed by the Housing Authority. There is no assurance that our internal control measures on operating and handling the trust accounts could detect and prevent all potential fraud, misappropriation of funds or other misconduct, such as signature forgery, using false instrument or conspiracy to defraud. In addition, as we engage in security services, our employees may be required to handle or be in contact with or exposed to valuable personal belongings of such as lost properties of guests or residents of the estates. We are also responsible for collecting rents and other expenses from the tenants on behalf of the Housing Authority in performance of our financial management services. We are subject to risks of fraud, misappropriation of funds (including those held on behalf of the Housing Authority) or other misconduct committed by our employees or other third parties. There is no assurance that there will not be any such instances in the future and such instances of misconducts can be difficult to fully detect, deter and prevent, and could subject us to financial losses and harm our reputation in the event that they happen to us. Any such misconduct or future acts may have a material adverse effect on our business and operation results.

### **We may experience higher turnover rate of operation team in the future and our operation may be adversely affected by difficulties in recruiting and retaining sufficient workforce to meet our needs**

As the property management service industry is a labour-intensive industry, we believe that our success depends in part upon our ability to attract, retain and motivate the members of our operation team and to maintain a stable team of operational workforce to deliver consistent and quality services to our customers. For FY2015, FY2016 and 4M2017, our monthly average staff turnover rates were approximately 3.5%, 2.9% and 0.8%, respectively. There is no assurance that the supply of skilled

## RISK FACTORS

labour and the average labour costs will remain stable. Suitable workforce in service-oriented industry, such as the cleaning and security industries, is in short supply and competition for workers is intense. If we are unable to maintain the stability of our staff or retain sufficient number of staff members to perform our services or fill the vacancies with new hire of suitable staff members or services from suitable third party service providers, our quality services, operation and financial results would be adversely affected. In addition, our service contracts with the Housing Authority stipulate the minimum number of staff members required and that in the event of labour shortage, we may not be able to meet the minimum number of staff members and our service contracts may be terminated. If any of the above happens, our operations and profitability may be adversely affected.

### **Our insurance policies may not be sufficient to cover all liabilities and our insurance premium may increase from time to time**

We have taken out insurance policies in line with the terms of our service contract and required by law to cover certain aspects of our business operations. However, certain types of risks, such as risks in relation to our reliance on the Housing Authority, our ability to obtain new service contracts, estimation and management of costs, our ability to be retained on the HA Lists, our ability to retain and attract personnel, liquidity and working capital needs and credit risk in relation to the collectability of our trade and other receivables, are generally not insured because they are either uninsurable or it is not cost-justifiable to insure against such risks. In the event that an uninsured liability arises, we may suffer losses which may adversely affect our financial position.

Even if we have taken out insurance policies, we can never be sure that the insurance coverage is sufficient to our business. Our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our business operations. We also cannot control if there is any reduction or limitation of insurance coverage by insurers upon the expiry of our current policies.

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

### **Reliance on public sector policies**

In January 2000, the Housing Authority announced the outsourcing policy to gradually transfer its estate management and maintenance services of PRH estates to the private sector under a phased service transfer programme. The outsourcing of its estate management and maintenance services by the Housing Authority has created new business opportunities for property management companies.

Although the outsourcing policy remains an ongoing initiative of the Housing Authority, there can be no assurance that the Housing Authority will not make adjustment to such policy or to cease or slow down the pace of outsourcing under such policy and any such adjustment may have an adverse impact on the demand for property management services provided by industry participants including us.

## RISK FACTORS

### **Service contracts with the Housing Authority are subject to termination by the Government**

Under the terms of our service contracts with the Housing Authority, the Housing Authority may terminate the service contracts without cause by serving 90 days' written notice on us, in which case we shall only be entitled to claim any direct costs incurred as a result of such termination. In addition, the Housing Authority may issue a notice to us to terminate any part of the services performed by us for any reason that the Housing Authority shall consider appropriate. There is no assurance that the Housing Authority will not exercise such right to terminate any part of the services performed by us or any service contract with us in the future. In the event that the Housing Authority exercises such right, our work plan and financial position may be adversely affected.

### **RISKS RELATED TO THE SHARE OFFER**

#### **There has been no prior public market for our Shares, and the liquidity, market price and volume of our Shares may be volatile**

Prior to the completion of the Capitalisation Issue and the Share Offer, there has been no public market for our Shares. An active trading market for our Shares may not develop after the Share Offer and the market price and liquidity of our Shares may be adversely affected.

The indicative Offer Price range stated in this prospectus was determined as a result of negotiations between our Company and Ballas Capital (for itself and on behalf of the Underwriters). As such, it may not be an indicative of the price at which our Shares will be traded on the Stock Exchange. Future sales by our Group or its existing Shareholders of substantial amounts of our Shares after the Share Offer could adversely affect market prices prevailing from time to time.

In view of the aforesaid, there is no assurance that an active trading market for our Shares will develop, or, if it does develop, that it will sustain after the Listing Date, or that the market price of our Shares will not fall below the Offer Price.

Volatility in the trading volume and price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our Group's operating results. Factors affecting the volatility of the trading volume and price of our Shares may include:

- investors' perception of our Group and our business plans;
- fluctuations in our Group's operating results, such as revenue, earnings and cash flows;
- announcements of new investments, strategic alliances and/or acquisitions by our Group;
- changes in pricing policy adopted by us and our competitors;
- changes in our senior management personnel; and
- general economic factors.

We cannot assure that such factors will not occur and it is difficult to quantify the impact on our Group and the trading volume and price of our Shares.

## RISK FACTORS

In addition, shares of other comparable companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to its financial or business performance.

### **Investors for our Shares may experience further dilution if our Group issues additional Shares in the future**

We will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into our equity securities (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date.

Having said that, upon expiry of such six-month period, we may raise additional funds by way of issue of new equity or equity-linked securities of our Company and such fund raising exercises may not be conducted on a pro-rata basis to the then existing Shareholders. As a result, the shareholding of the then Shareholders may be reduced or diluted and subject to the terms of the issue of the new securities, the new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary shares are allotted and issued upon the exercise of share options under the Share Option Scheme. In this regard, the then Shareholders may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

### **Future sale or perceived sale of substantial amounts of our Shares by our Controlling Shareholders in the public market may affect the prevailing market price of our Shares**

We cannot assure that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. We cannot predict the effect, if any, that any future sales of our Shares by any of our Controlling Shareholders, or the availability of our Shares for sale by any of our Controlling Shareholders may affect the market price of the Shares.

Sale of substantial amounts of our Shares by any of our Controlling Shareholders in the public market, or the perception that such sale may occur, could materially and adversely affect the prevailing market price of the Shares.

### **Historical dividend distributions are not an indication of our future dividend policy**

Our Group did not declare any dividends during the Track Record Period. In October 2017, we declared a special dividend of HK\$10.0 million to our then Shareholders, which will be paid before the Listing.

You should not rely on historical dividend distribution as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. We cannot assure that dividends will be declared or paid in the future, at a similar level or at all. A decision to declare and pay any dividends would require the recommendations of our Board and the approval of the Shareholders. The amount of dividends actually declared and paid will also depend upon our future operations, earnings, cash flow, financial conditions, capital requirements, investment requirements,

## RISK FACTORS

contractual restrictions and other conditions which our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law.

### **Issue of new Shares under the Share Option Scheme may decrease Shareholders' value of investment**

We have conditionally adopted the Share Option Scheme although no options had been granted thereunder as at the Latest Practicable Date. Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue.

Under the HKFRSs, the costs of the share options to be granted under the Share Option Scheme will be charged to our combined statement of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

### **Investors should not place any reliance on any information contained in the press articles or other media regarding us and the Share Offer**

There may have been press and media coverage on us and the Share Offer, which may contain references to certain events, or information such as financial information, financial projections, and other information about us that do not appear in this prospectus.

You should only rely on the information contained in this prospectus, the Application Forms, and any formal announcement(s) made by us in Hong Kong when making any investment decision(s) regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, the fairness, appropriateness or reliability of any forecasts, or the views or opinions expressed by the press or other media regarding our Shares, the Share Offer, or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication by the press or media. To the extent that any such information appearing in publications other than this prospectus is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it.

Accordingly, prospective investors are cautioned against making their investment decisions in reliance on any other information, reports, or publications other than this prospectus.

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

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 in this prospectus misleading.

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

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

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

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published in connection with the Share Offer. The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between our Company and Ballas Capital (for itself and on behalf of the Underwriters). The Share Offer is managed by the Joint Lead Managers. Further information relating to the Public Offer Underwriters and the Share Offer and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus. If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse.

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

Each person subscribing for the Offer Shares will be required to confirm or be deemed by his subscription of Offer Shares to confirm that he is aware of the restrictions on the offer of the Offer Shares described in this prospectus.

As at the Latest Practicable Date, 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. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.



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

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

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, 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 Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other persons involved in the Share Offer.

### **APPLICATION FOR LISTING ON GEM**

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

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal in is being or is proposed to be sought in the near future.

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

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public. A total of 200,000,000 Offer Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (but without taking into account any Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme).

### **DEALINGS AND SETTLEMENT**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Friday, 10 November 2017.

Shares will be traded in board lots of 10,000 Shares each and are freely transferable.



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

The GEM stock code for the Shares is 8426.

Our Company will not issue any temporary document of title.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Investors 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 Bookrunners, the Joint Lead Managers, the Underwriters and their respective directors, officers, agents, employees, affiliates and/or representatives or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising of any rights thereunder.

### **SHARE REGISTRARS 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 agree, 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.

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

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

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

All 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.

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

### LANGUAGE

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

### ROUNDING

Any discrepancies in any table between totals and sums of the amount listed in this prospectus are due to rounding.

### EXCHANGE RATE CONVERSION

Unless otherwise specified and for illustration purpose only, conversion of US\$ into HK\$ in this prospectus are based on the exchange rate sets out below:

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

Such conversion shall not be construed as representations that amount of such currency was or may have been converted into HK\$ and vice versa at such rates or any other exchange rates.

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**DIRECTORS**

<b>Name</b>	<b>Residential address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Mr. Ho Chu Ming (何柱明) (Chairman)	Flat C, 5th Floor, Tower 3 599 Sai Sha Road Lake Silver, Wu Kai Sha Ma On Shan, New Territories Hong Kong	Chinese
Mr. Ng Fuk Wah (吳福華) (Chief Executive Officer)	Flat A, 26th Floor Shing Loong Court 13 Dragon Terrace Tin Hau Hong Kong	Chinese
Mr. Sung Alfred Lee Ming (宋理明)	No. 43, First Street, Section G Fairview Park Yuen Long, New Territories Hong Kong	Australian
Mr. Tang Kong Fuk (鄧降福)	Flat A, 6th Floor, Block 6 Parkside Villa 23 Town Park Road South Yuen Long, New Territories Hong Kong	Chinese
<i>Non-executive Directors</i>		
Ms. Tam Mo Kit (譚慕潔)	Flat A, 26th Floor Shing Loong Court 13 Dragon Terrace Tin Hau Hong Kong	Chinese
Mr. Tam Kam Cheung Patrick (譚錦章)	Flat 15E, Yat Tien Mansion Taikoo Shing 18B Taikoo Shing Road Hong Kong	Chinese

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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<b>Name</b>	<b>Residential address</b>	<b>Nationality</b>
<i>Independent non-executive Directors</i>		
Dr. Chan Man Wai (陳文偉)	Block 3, 28/F, Flat B The Grand Panorama 10 Robinson Road Mid-levels Hong Kong	Chinese
Mr. Wong Siu Fai Albert (黃紹輝)	Flat D, 2nd Floor Po Tai Building 180 Nam Cheong Street Kowloon Hong Kong	Australian
Mr. Ng Kee Fat Ronny (吳紀法)	Flat 1007, Block D Telford Gardens Kowloon Bay, Kowloon Hong Kong	Chinese

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

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

##### **Ballas Capital Limited**

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

Unit 1802, 18/F, 1 Duddell Street  
Central  
Hong Kong

#### Joint Bookrunners and Joint Lead Managers

##### **Huabang Securities Limited**

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

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

##### **Ballas Capital Limited**

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

Unit 1802, 18/F, 1 Duddell Street  
Central  
Hong Kong

#### Co-Managers

##### **Quasar Securities Co., Limited**

*A licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO*

Unit A, 12/F, Harbour Commercial Building  
122-124 Connaught Road Central,  
Hong Kong

##### **Pacific Foundation Securities Limited**

*A licensed corporation to carry on type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO*

11/F, New World Tower II  
16-18 Queen's Road Central  
Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### **Freeman Securities Limited**

*A licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO*

38/F, Bank of China Tower  
1 Garden Road  
Hong Kong

### **Legal advisers to our Company**

*As to Hong Kong law*

### **Hastings & Co.**

*Solicitors, Hong Kong*  
5th Floor, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

*As to Hong Kong law*

### **Ms. Ng Wing Shan Queenie**

*Barrister-at-law, Hong Kong*  
Rooms 2203 A&B  
Fairmont House  
8 Cotton Tree Drive  
Central  
Hong Kong

*As to Cayman Islands law*

### **Appleby**

*Cayman Islands attorneys-at-law*  
2206–19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

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

### **ONC Lawyers**

*Solicitors, Hong Kong*  
19th Floor, Three Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### **Auditor and reporting accountant**

### **PricewaterhouseCoopers**

*Certified Public Accountants*  
22/F, Prince's Building  
Central  
Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**Compliance adviser**

**Ballas Capital Limited**

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

Unit 1802, 18/F, 1 Duddell Street

Central

Hong Kong

**Industry consultant**

**Frost & Sullivan Limited**

1706, One Exchange Square

8 Connaught Place

Central

Hong Kong

**Receiving Bank**

**Bank of China (Hong Kong) Limited**

1 Garden Road

Hong Kong

## CORPORATE INFORMATION

<b>Registered Office</b>	PO Box 1350 Clifton House, 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Head office and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	Units 1102–1103, 11th Floor Delta House No. 3 On Yiu Street Sha Tin New Territories Hong Kong
<b>Company's website</b>	<b><a href="http://www.modernliving.com.hk">www.modernliving.com.hk</a></b> <i>(Note: the information contained in this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Ng Fuk Wah ( <i>HKICPA</i> ) Flat A, 26th Floor Shing Loong Court 13 Dragon Terrace Tin Hau Hong Kong
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Mr. Ng Fuk Wah ( <i>HKICPA</i> ) Flat A, 26th Floor Shing Loong Court 13 Dragon Terrace Tin Hau Hong Kong  Mr. Sung Alfred Lee Ming ( <i>HKICPA</i> ) No. 43, First Street, Section G Fairview Park, Yuen Long New Territories, Hong Kong
<b>Compliance officer</b>	Mr. Sung Alfred Lee Ming ( <i>HKICPA</i> ) No. 43, First Street, Section G Fairview Park, Yuen Long New Territories, Hong Kong
<b>Audit committee</b>	Mr. Wong Siu Fai Albert ( <i>Chairman</i> ) Dr. Chan Man Wai Mr. Ng Kee Fat Ronny
<b>Remuneration committee</b>	Mr. Ng Kee Fat Ronny ( <i>Chairman</i> ) Dr. Chan Man Wai Mr. Wong Siu Fai Albert



## CORPORATE INFORMATION

<b>Nomination committee</b>	Dr. Chan Man Wai ( <i>Chairman</i> ) Mr. Wong Siu Fai Albert Mr. Ng Kee Fat Ronny
<b>Principal share registrar and transfer office in the Cayman Islands</b>	Estera Trust (Cayman) Limited PO Box 1350 Clifton House, 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal banker</b>	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central, Hong Kong

## INDUSTRY OVERVIEW

*The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by Frost & Sullivan, in connection with the Share Offer, or the Frost & Sullivan Report. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organisations, market data providers, communications with various Government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer or their respective directors, advisers and affiliates, excluding Frost & Sullivan, have independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.*

### SOURCE OF INFORMATION

We have engaged Frost & Sullivan to analyse and report on the current status of, and forecasts for, the selected industries in which we operate in Hong Kong. We agreed to pay Frost & Sullivan a fee of approximately HK\$440,000 for the preparation and use of the Frost & Sullivan Report. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the property management industry in Hong Kong.

Established in 1961, Frost & Sullivan has conducted industry research and provided market and enterprise strategies, consultancy and training services for several industries, including automobile, transportation and logistics, chemical engineering, energy and power systems, environmental protection technologies, electronics, information and telecommunication technologies, and medical and healthcare. In preparing the report, Frost & Sullivan has relied on the statistics and information obtained through primary and secondary research. Primary research includes interviewing industry insiders and recognised third-party industry associations, while secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades.

The forecasts were made by Frost & Sullivan based on the following assumptions:

- Hong Kong economy is expected to maintain steady growth in the forecast period;
- Hong Kong social, economic, and political environment is expected to remain stable and the policies on property management service in Hong Kong are consistent in the forecast period;
- Key market drivers such as the increase of public housing projects, growing demand for property management service in public housing, and the improved service quality and market order, are expected to boost the development of property management service market in public housing in Hong Kong.

## INDUSTRY OVERVIEW

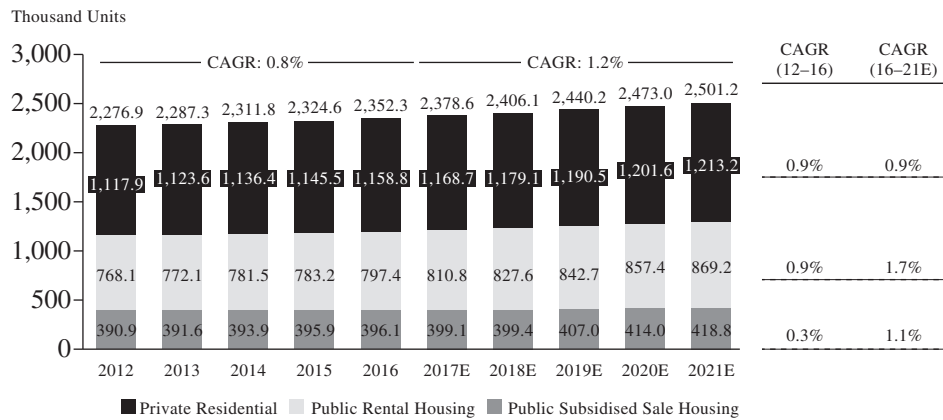
### OVERVIEW OF PROPERTY DEVELOPMENT MARKET IN HONG KONG

#### Residential Property Development Projects in Hong Kong

The accumulative number of residential units in Hong Kong increased from approximately 2,276,900 in 2012 to approximately 2,352,300 in 2016 with a CAGR of 0.8%. It is expected that the number will further grow to approximately 2,501,200 in 2021 at a CAGR of 1.2% from 2016 to 2021.

During 2017 and 2021, over 94,000 public housing units are planned to be built by the Government, presenting a higher CAGR than that during 2012 and 2016. Furthermore, according to the 2017 Policy Address, the planned public housing supply in the next ten years since 2017/18 is 280,000 units, which implies a growth spurt of the public housing supply in the latter half of the next decade, creating a great development potential for the property management market.

The following chart shows the accumulative residential property development projects in Hong Kong:



Source: Census and Statistics Department of HKSAR, Frost & Sullivan

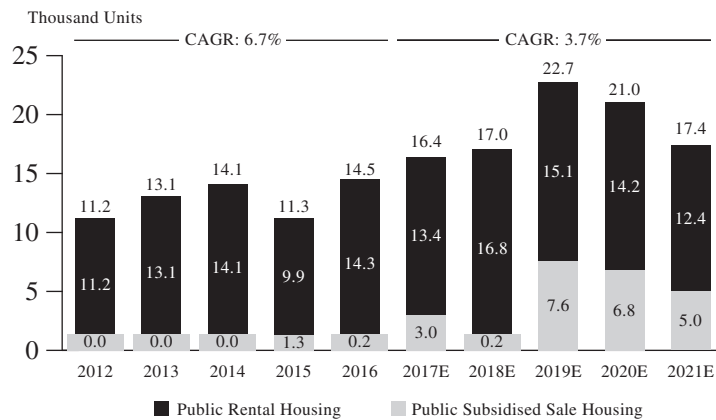
#### Public Housing Property Development Projects in Hong Kong

The new units of public housing in Hong Kong increased from 11.2 thousand in 2012 to 14.5 thousand in 2016, at a CAGR of 6.7%, and it is expected to reach 17.4 thousand in 2021 with a CAGR of 3.7% from 2016 to 2021.

Influenced by construction delays, the number of newly completed public housing experienced significant decline in 2015. Generally, the new units of public residential house added in each year maintained a moderate increase. As the Housing Authority and the Housing Society of Hong Kong (the “**Housing Society**”) introduced development plan of public housing including both public rental housing and subsidised sale housing, the new units of public housing in Hong Kong are expected to reach a higher level during 2017 and 2021.

## INDUSTRY OVERVIEW

The following chart shows the public housing development projects in Hong Kong:



Source: Census and Statistics Department of HKSAR, Frost & Sullivan

### Development Drivers of Property Development Market in Hong Kong

**Strong Demand for Housing.** The total number of Hong Kong residents is climbing at a stable pace and Hong Kong has introduced several plans to attract talents since 2015. In addition, the average household size has declined continuously, leading to an increasing need for houses. Furthermore, with the rising income and the improvement of living standards, Hong Kong residents are asking for a better living environment, resulting in demand for construction of new buildings with modern facilities. The abovementioned factors will drive the demand for housing in Hong Kong, stimulating the housing development market.

**Increasing Expenditure on Infrastructure and Housing.** The increasing expenditure on infrastructure and housing would drive the property development market. For instance, public construction projects such as Kai Tak Development and New Territories Development have driven the growth of Hong Kong housing development market in the recent years. In the 2017 Hong Kong Policy Address, the Government intends to further accelerate the development of the Kai Tak Development Area with an additional 16,000 residential flats to be constructed in two phases. In addition, more than 50,000 residential units are planned to be built in the North East New Territories New Development Areas.

**Increasing Land Supply.** Land supply policies in Hong Kong were blamed for causing the problem of housing shortage and the rising housing price. The Government increased the land supply for residential use from approximately 170,000 sq.m. in 2011 to approximately 390,000 sq.m. in 2016. It is expected that the Government will maintain a stable supply of land to alleviate the problem of housing shortage, which will drive the housing development in the long term.

# INDUSTRY OVERVIEW

## OVERVIEW OF PROPERTY MANAGEMENT MARKET IN HONG KONG

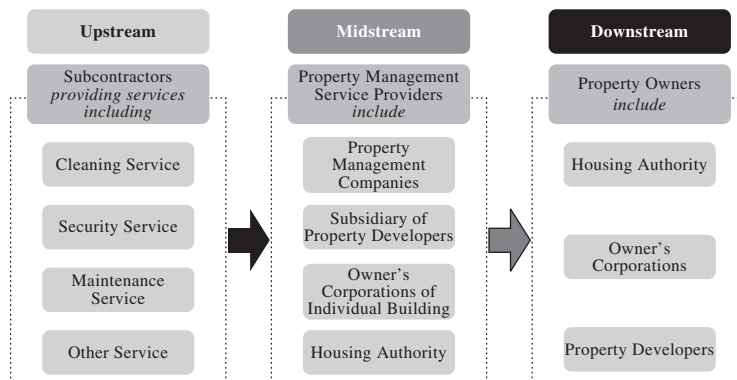
### Definition and Sectors of Property Management Service

The property management service in Hong Kong includes four sectors as follows:

- **Property, Facility and Venue Management** covers the operation and other supporting services to owners, tenants and users of facilities, such as periodic meeting with different parties, complaint handling, etc. In addition, administration services may also be provided to some special types of venues like club houses, car parks, etc.
- **Property Related Security Services** are aimed to ensure the safety of residents or users and their properties. Apart from the assignment of security staff to individual building, the installation and operation of monitoring devices, such as closed-circuit television and other security control systems, are included.
- **Environmental Hygiene and Cleaning Services** cover general cleaning, specialised cleaning, pest control, waste management and recycling of materials. Environmental management services mainly refer to the improvement of landscape such as gardening service.
- **Repair and Maintenance Services** cover various systems and facilities of the building, which include fire systems, drainage systems, electrical systems, lifts and escalators, etc.

### Industry Value Chain of Property Management Service Market

In general, the value chain of property management market in Hong Kong consists of subcontractors, property management service providers and property owners.



Source: Frost & Sullivan

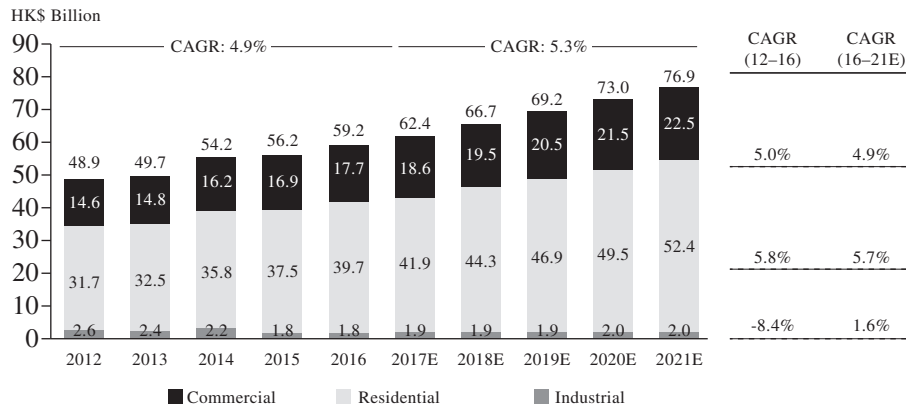
## INDUSTRY OVERVIEW

### Property Management Service Market in Hong Kong

Due to the substantial development of property development market in Hong Kong, the property management service market maintains a stable growth rate. The total revenue of property management services in Hong Kong experienced a growth from HK\$48.9 billion in 2012 to HK\$59.2 billion in 2016, representing a CAGR of 4.9% and is forecasted to reach HK\$76.9 billion in 2021 with a CAGR of 5.3% from 2016 to 2021.

The property management services for residential properties constitute the largest part of the property management service market in Hong Kong. Additionally, it shows the most rapid growth rate among all sectors in both the historical and forecast periods due to relatively strong demand for residential space.

The following chart shows the revenue of property management services in Hong Kong:



Source: Frost & Sullivan

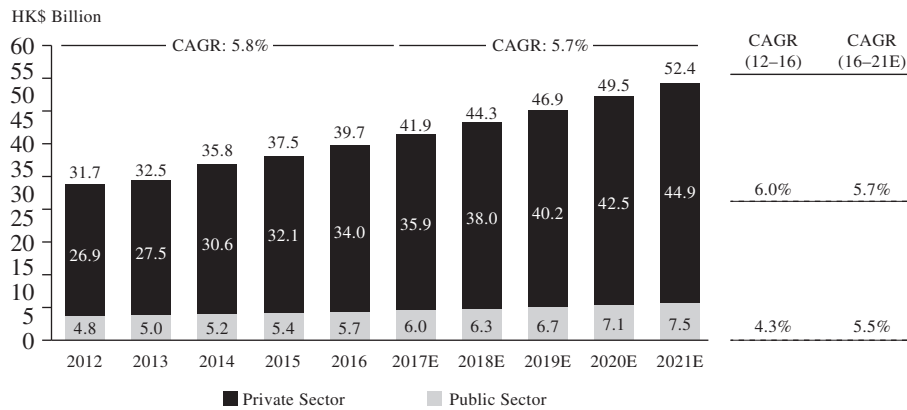
### Residential Property Management Service Market in Hong Kong

The total revenue of residential property management services in Hong Kong increased from HK\$31.7 billion in 2012 to HK\$39.7 billion in 2016 at a CAGR of 5.8% and is expected to further grow to HK\$52.4 billion in 2021, indicating a CAGR of 5.7% from 2016 to 2021.

Private residential property management service makes the most contribution to the residential property management service market in Hong Kong. In addition, the growth rate of private residential property management service is faster than that of public housing management service. In the future, driven by the development of public housing market in Hong Kong, the growth of public housing property management service will catch up with that of private sector.

## INDUSTRY OVERVIEW

The following chart shows the revenue of residential property management service (including private and public housing) in Hong Kong:



Source: Frost & Sullivan

### Public Housing Property Management in Hong Kong

Public housing includes public rental housing as well as subsidised sales housing developed by either the Housing Authority or the Housing Society. Public rental housing is built by the Housing Authority or the Housing Society for leasing out to low-income residents, while subsidised sales housing is built by the Housing Authority, the Housing Society or companies in the private sector but for sale to qualifying residents at discounted prices.

Over the years, some of the public housing has been under the direct management of the Housing Authority and the Housing Society, while the management of some public housing has been outsourced to private service providers.

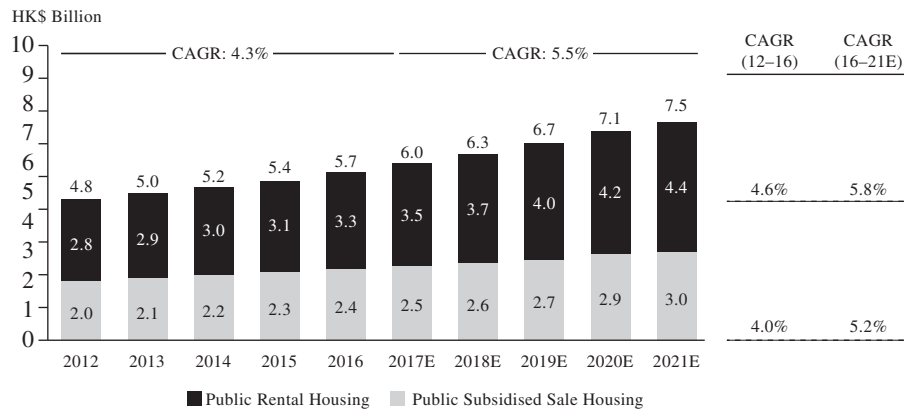
### Public Housing Property Management Service Market in Hong Kong

The total revenue of public housing property management service market in Hong Kong experienced a growth from approximately HK\$4.8 billion in 2012 to approximately HK\$5.7 billion in 2016 at a CAGR of 4.3%. It is expected that such revenue will further increase to approximately HK\$7.5 billion in 2021, representing a CAGR of 5.5% from 2016 to 2021.

Property management services for public housing maintained a stable growth in the past few years. Driven by the development of public housing market in Hong Kong, the property management service market of public housing will continue to grow stably in the near future.

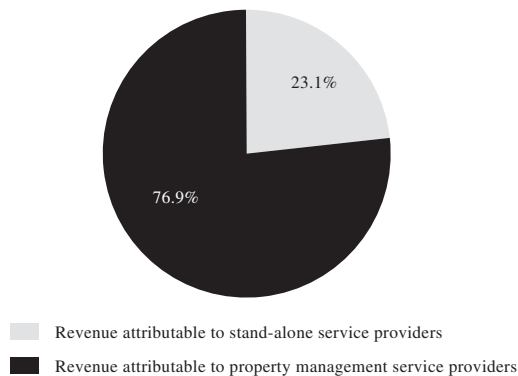
## INDUSTRY OVERVIEW

The following chart shows the revenue of public housing property management service in Hong Kong:



Source: Frost & Sullivan

The total market revenue of the public housing property management service (including the revenue of the property management services provided to public rental housing and subsidised sale housing) in Hong Kong in 2016 was approximately HK\$5.7 billion. Out of this amount, approximately 76.9% of the total market revenue was attributable to property management service providers in 2016, with an aggregate market revenue of approximately HK\$4.4 billion. The remaining approximately 23.2% was attributable to stand-alone service providers.



Source: HA, HS, HKAPMC, company website, Frost & Sullivan

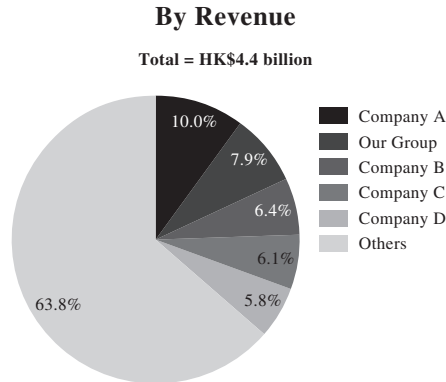
### Competitive Landscape of Public Housing Property Management Service Market in Hong Kong

The total revenue attributable to property management service providers in public housing in Hong Kong was approximately HK\$4.4 billion in 2016. The top 5 property management service providers accounted for approximately 36.2% of the public housing market in 2016 in terms of revenue. In 2016, the largest player accounted for a market share of approximately 10.0% and our Group ranked the second in the market with a share of approximately 7.9%.



## INDUSTRY OVERVIEW

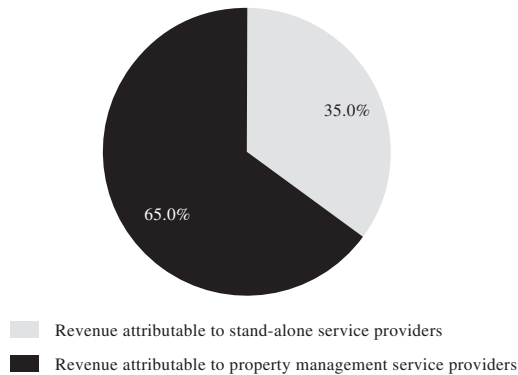
The following chart shows the market share of property management service providers in public housing in Hong Kong in 2016 in terms of revenue:



*Source: Housing Authority, Housing Society, HKAPMC, Company Website, Frost & Sullivan*

### Public Rental Housing Property Management Service Market in Hong Kong

The total market revenue of the public rental housing property management service in Hong Kong in 2016 was approximately HK\$3.3 billion. Out of this amount, approximately 65.0% of the total market revenue of the public rental housing property management service in Hong Kong was attributable to property management service providers, with an aggregate market revenue of approximately HK\$2.2 billion. The remaining approximately 35.0% was attributable to stand-alone service providers.



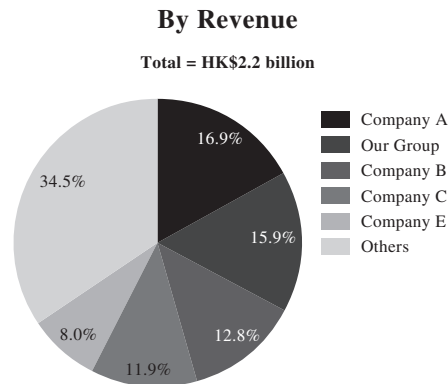
*Source: Housing Authority, Housing Society, HKAPMC, Company Website, Frost & Sullivan*

## INDUSTRY OVERVIEW

### Competitive Landscape of Public Rental Housing Property Management Service Market in Hong Kong

The total revenue attributable to property management service providers in public rental housing in Hong Kong was approximately HK\$2.2 billion in 2016. The top five property management service providers in public rental housing accounted for approximately 65.5% of the market in 2016. In 2016, the largest player accounted for a market share of approximately 16.9% and our Group ranked the second with a market share of approximately 15.9%.

The following chart shows the market share of property management service providers in public rental housing in Hong Kong in 2016 in terms of revenue:



Source: Housing Authority, Housing Society, HKAPMC, Company Website, Frost & Sullivan

There were 11 active property management service providers (including Modern Living) which provided property management service to public rental housing at the end of 2016. Out of those 11 active property management service providers, the aggregate revenue of the top five property management service providers accounted for 65.5% of the public rental housing property management service market in 2016 in terms of revenue, which shows that the market concentration was relatively high. In addition, for those active 11 property management service providers, the Housing Authority was their single or major customer and the Housing Authority contributes to a substantial portion of their revenue. Reliance on the Housing Authority is a common market phenomenon for property management services providers to public housing.

### Drivers of Property Management Service Market in Hong Kong

**Increasing Public Housing Supply.** According to 2017 Policy Address, the Government will build over 94,000 public housing units in the next five years, which is much higher than 68,000 units during the fiscal years from 2012/13 to 2016/17. And in the next ten years, it is planned that 460,000 housing units will be built, including 280,000 public housing units. The climbing public housing supply will create more demand for property management services, as around 60% of the public housing property management service is outsourced to the qualified property management companies.

## INDUSTRY OVERVIEW

***Increasing Private Housing Land Supply.*** More than 51,100 private residential units could be built on the land sold by the Government during the five fiscal years from 2012/13 to 2016/17, doubling the figure during the previous five years. During the current fiscal year, the sold land for private property development can produce about 19,000 units.

***Improved Service Quality and Market Order.*** The Property Management Services Ordinance was passed by the Legislative Council in 2016, which is expected to provide a consistent and clear standard for the whole property service market. All the companies and the management staff engaged in the industry must be licensed by the Property Management Service Authority in the future.

***Broader Service Scope From Newly-built Property.*** As properties are becoming more advanced and modernised, the service standard in property management service market goes higher and the scope is broader. The service scope will include not only the security and cleaning, but also the electronic monitoring, control system management and so on. More customised services shall be provided in the newly-built high-class property. All above will expand revenue channels for property management service providers.

### **Entry Barriers of Public Property Management Service Market in Hong Kong**

***Company Qualification Requirement.*** The tender for contracts of the Housing Authority has to be an approved property service agent in the HA Lists. To be listed, a company must meet high requirements in aspects of financial ability, technology and management experience. Upon the Property Management Services Ordinance taking full effect, all the property management companies must have a licence to provide the service. Therefore, in the future, companies which cannot obtain the requisite licence will not be able to compete in the market, which will result in a higher entry barrier and benefit the current market leaders to a certain extent.

***Experience and Track Record.*** Property management companies expand by winning government contracts. The Housing Authority in selecting tenders will award the contracts to the company with rich experience with reference to past performance. During the official tender for contracts of the Housing Authority, the weighting assigned to the past performance in the tender assessment process is relatively significant, implying that a company with better past experience will have a significantly better edge than other companies with no past experience. The entry barrier is high for new players as they will find it hard to enter the market due to lack of experience.

***Talent Requirement.*** Qualified management team is one of the most important considerations for the authority or the property owners to select a property management service provider. For example, the number of the qualified managerial personnel and supervisory personnel must meet the minimum requirement to bid for the property management service contract for public rental housing. Lacking sufficient talents, newcomers face difficulties in entering the market. Also in the future, the management staff without property management practitioner Tier 1 or Tier 2 licence issued pursuant to the Property Management Services Ordinance will not be approved to engage in the market.

## INDUSTRY OVERVIEW

### Development Trends of Property Management Service Market

***Improved Market Supervision and Order.*** The Legislative Council passed the Property Management Services Ordinance in 2016, which provides a consistent and clear standard for all property management service providers. All the companies and the management staff engaged in the industry must be licensed by Property Management Service Authority in the future.

***Outsourcing Public Property Management Services.*** Due to the limited resources of the Government, a majority of the property management service for public housing is currently outsourced to the private property management companies by the Housing Authority. With the increasing public housing supply in the next five years, it is expected that the market size for the public housing management services will keep increasing.

***Outsourcing Minor Services to Subcontractors.*** In the property management market, many companies tend to outsource minor services, such as cleaning and security service, to specialised subcontractors. As the entry barriers for those subcontractors are relatively low, there are expected to be more companies specialised in providing specific minor services like cleaning and security service with competitive price and high-quality works, which may further drive property management companies to outsource minor services.

***Outsourcing to Experienced Property Management Company by Small Property Developers.*** In the intensely competitive real estate market in Hong Kong, the property management quality is one of the key consideration factors for buyers. Therefore, to compete with the famous developers, many small property developers tend to choose experienced property management companies to add value to their properties.

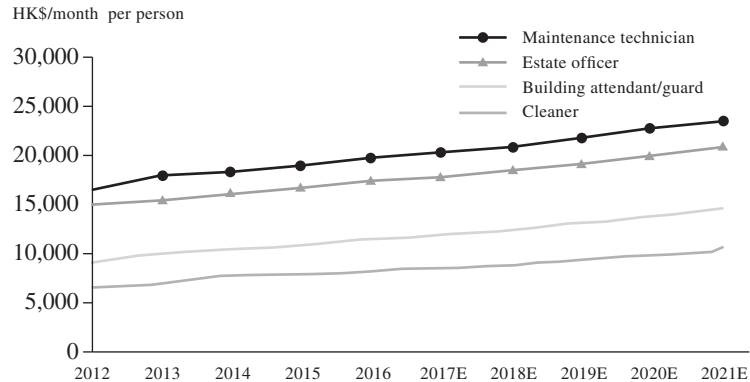
***More Outsourcing Business From Chinese Developers.*** The large property developers from mainland China is actively competing in the Hong Kong market. Unlike their local counterparts, many Chinese developers generally do not have subsidiary property management companies or have not established long-term cooperation with property management companies in Hong Kong, which brings opportunity for local property management companies with good reputation and successful track records to be the property management service providers for those newly developed properties.

### Labour Costs in Property Management Market

Labour costs are the major cost component of property management service providers. Major types of engaged workers include cleaners, building guards, maintenance technicians and estate officers. Maintenance technician enjoys the highest salary, which increased from an average of approximately HK\$17,000/month in 2012 to an average of approximately HK\$20,000/month in 2016, and is expected to reach an average of approximately HK\$24,000/month in 2021. The figure for estate officer increased from an average of approximately HK\$15,000/month in 2012 to an average of approximately HK\$18,000/month in 2016, and is expected to reach an average of approximately HK\$21,000/month in 2021. The monthly wage for building guard increased from an average of approximately HK\$9,000 in 2012 to an average of approximately HK\$12,000 in 2016, and is expected to reach an average of approximately HK\$15,000 in 2021.

## INDUSTRY OVERVIEW

The following chart shows the average wages of relevant category of workers in Hong Kong:



Source: Census and Statistics Department of HKSAR, Frost & Sullivan

### Competitive Edge of our Company

According to the Frost & Sullivan Report, the following lists out the competitive edge of our Company:

***Good Reputation in the Housing Authority.*** Modern Living was established in 2001 and since then we have built a solid business relationship with the Housing Authority. With the abundant experience and high professional level in property management services, Modern Living gained good reputation in the Housing Authority and won the awards such as the Best Property Service Provider in Public Rental Housing granted by the Housing Authority. Our Company's good reputation in the Housing Authority will help our Company secure more property management contracts.

***Diversified in-house Professionals.*** Our in-house professional team includes professionals in different fields such as tenancy management, financial management, facility management, repair and maintenance, security and cleaning. We can provide diversified services catering to the needs of its customers. These value-added services can better serve the customers, helping our Company develop a level of trust with the customers and greatly improve its brand satisfactory. These advantages will further contribute to our future success.

***Strong Management Team.*** The core members of our management team include professionals of housing managers, accountants, surveyors and engineers as well as supervisors of building works, building services, security and cleaning. Our profound experience in housing management is the guarantee of prompt, reliable and high-quality services provided by our Company.

## REGULATORY OVERVIEW

### THE LAWS AND REGULATIONS OF HONG KONG

This section summarises the principal laws and regulations of Hong Kong which are relevant to our Group's business and operations. These include the laws and regulations relating to the property management industry in Hong Kong. As this is a summary, it does not contain the detailed analysis of the Hong Kong laws which are relevant to our Group's business and operations.

### THE HONG KONG LAWS IN RELATION TO THE PROPERTY MANAGEMENT INDUSTRY

#### The property management of public housing in Hong Kong

The property management of public housing in Hong Kong is basically operated under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong). The Housing Ordinance provides the establishment and functions of Housing Authority, which power includes to manage any housing, and any premises, structures and grounds ancillary thereto, and any common parts, having regard to the interests, welfare and comfort of the tenants, owners or occupiers thereof, and to charge fees for its services in connection with such management. Under section 4(2A)(a) of the Housing Ordinance, the Housing Authority may enter into an agreement with any person for the management by such person of any housing and any premises, structures and grounds ancillary to any housing, and any common parts.

#### HA Lists

According to the HA Guide, the Housing Authority procures various services from property management service providers to manage the flats and facilities for its public housing programme. The Housing Authority, as a procuring entity, adopts selective tendering procedures in procuring most of its core services. The Housing Authority has been maintaining permanent lists of qualified service providers appropriate to the nature of its business. Property management service providers are classified into three categories: (i) PSA, (ii) cleansing service contractors and (iii) security service contractors. Within each category, service providers are divided into groups or bands according to the type and size of service contracts for which they are normally eligible to tender, with tender limits and scopes of work set out for each group or band. Service providers, when admitted onto the relevant category of HA Lists will be considered suitable for undertaking service contracts or carrying out works for the Housing Authority in the respective category of services subject to prescribed group tender limits in addition to the appropriate list management rules and the Housing Authority's procurement strategy.

The criteria of admission to any of the HA Lists comprise (i) mandatory requirements for admission which includes clean record of convictions under the Employment Ordinance (Chapter 57), the Employees' Compensation Ordinance (Chapter 282), the Immigration Ordinance (Chapter 115) and the Mandatory Provident Fund Schemes Ordinance (Chapter 485) (collectively the "**Relevant Ordinances**"), clean record of demerit points system in all service contracts managed by relevant government departments and satisfactory records of fair treatment to non-skilled workers over the past five years; (ii) respective certain minimum scope of certification; (iii) respective certain minimum requirement on company experience; (iv) respective certain financial capability; and (v) respective certain minimum number, qualifications and experience of full-time staff to be employed for admission/retention.

Annual renewal is required for retention on any category of the HA Lists.

## REGULATORY OVERVIEW

### *(a) PSA*

PSAs are divided into groups according to the type and size of property management service contracts for which they are normally eligible to tender. The tender limits are periodically adjusted and currently set as follows:

Group PS1	eligible to tender for PS1 contracts for managing a portfolio of not more than 4,000 domestic units.
Group PS2	eligible to tender for PS1 and PS2 contracts for managing a portfolio of any size.

The scopes of work included in PS2 contracts are as follows:

#### *PS2 Contract*

- (i) Provision of all property management services, inclusive of tenancy management, community services, environmental control, security services, cleansing services, landscaping and horticulture maintenance, minor maintenance and repair works, and other related services; and
- (ii) Provision of project management services for maintenance, repair and improvement works not covered by the prescribed scope of minor maintenance and repair works for the properties under the relevant property management service contract.

### *(b) Cleansing service contractors*

Cleansing service contractors are divided into two major bands in which workload capping is currently adopted. The two major bands of contractors are identified on the basis of quarterly performance scores and the banding exercise will be conducted annually.

<b>Band</b>	<b>Workload Capping Limit</b>
Band IA	45,000 units
Band IB	30,000 units
Band IIA	23,000 units
Band IIB	9,000 units

Band II represents probationary contractors who may apply for confirmed status regarding promotion to Band I on a minimum period of 12 months after commencement of the first service contract with an average score of 60 or above in all relevant service contract, with no score be less than 60. Band IA and Band IB contractors are classified in accordance with their financial capabilities.

## REGULATORY OVERVIEW

### *(c) Security service contractors*

Security service contractors are divided into two major bands in which workload capping is currently adopted. The two major bands of contractors are identified on the basis of quarterly performance scores and the banding exercise will be conducted annually.

<b>Band</b>	<b>Workload Capping Limit</b>
Band IA	70,000 units
Band IB	35,000 units
Band IIA	23,000 units
Band IIB	9,000 units

Band II represents probationary contractors who may apply for confirmed status regarding promotion to Band I on a minimum period of 12 months after commencement of the first service contract with an average score of 60 or above in all relevant service contract, with no score be less than 60. Band IA and Band IB contractors are classified in accordance with their financial capabilities.

### **Requirements for Retention of PSAs in the HA Lists**

The material requirements for retention of PSAs on the HA List of PSAs pursuant to the HA Guide are summarised below:

#### *1. Mandatory Requirements for Retention*

- (a) At the time of the annual renewal for retention on the HA List of PSAs, PSA shall be required to submit a statement of:
  - (i) “All convictions” or “no convictions” under the Relevant Ordinances in respect of both government and private service contracts; and
  - (ii) “All demerit points” or “no demerit points” obtained under the demerit point system in respect of service contracts employing non-skilled workers managed by the Housing Department and other relevant government departments.

#### *2. Minimum Scope of Certification*

A PSA shall possess the certificates with the minimum scope of certification as indicated below:

- (a) ISO 14001 Certification in the Provision of Property Management Services in all the criteria as mentioned in paragraphs (i) to (iv) below:
  - (i) Headquarters of the PSA must be certified; and
  - (ii) All rental domestic properties under the management and control of the Housing Authority and managed by the PSA under service contract (“**HA sites**”) must be certified; and



## REGULATORY OVERVIEW

- (iii) Part of the PSA's private sites should be certified if the total number of units in the HA sites are less than a threshold of certification of 2,000 units or 3,000 units for the PSA applying for admission to or retention on Group PS1 or PS2 respectively. In case the total number of units managed by the PSA is less than the threshold, all sites managed by the PSA must be certified;
  - (iv) In case the total number of units managed by the PSA is less than the threshold, exemption could be applied by submitting documentary proof for those private sites where the incorporated owners or owners committees, etc. have declined to implement the certification requirements at their sites. In such case, at least all the HA sites or one private site under the management of the PSA should be certified.
- (b) OHSAS 18001 Certification in the Supervision of Cleansing Services in the criteria as mentioned in paragraphs either (i)+(ii)+(iii) or (i)+(ii)+(iv) below:
- (i) Headquarters of the PSA must be certified; and
  - (ii) All properties under the management and control of the Housing Authority and managed by the PSA under service contract, including existing service contracts (“**HA sites**”), must be certified; and
  - (iii) In case the total number of units managed by a PSA is more than a threshold of certification of 2,000 units or 3,000 units for PSAs in Group PS1 or PS2 respectively, part of the PSA's private sites should be certified if the total number of units in the HA sites are less than the threshold, such that the total number of units in the HA sites plus private sites certified could meet the threshold requirement; or
  - (iv) In case the total number of units managed by a PSA is equal to or less than the threshold, all sites managed by the PSA must be certified.

### 3. *Minimum Requirement on Company Experience*

PS2 PSAs should possess the minimum experience as specified below. They should have satisfactory proven work records over the past three years, and have been managing the portfolio of the required size at least for the past one year.

#### **Minimum Experience Required**

- (a) Relevant experience both in property management and in coordinating and managing maintenance or improvement works in respect of large-scale residential estates as set out below.
- (b) Minimum experience in property management:
  - (i) At least three years' experience in property management; and

## REGULATORY OVERVIEW

- (ii) Satisfactory management of a property portfolio in Hong Kong of not less than 4,500 residential/non-domestic units in aggregate with at least one residential estate having not less than 500 units and non-domestic premises of not less than 2,000m<sup>2</sup>. The number of non-domestic units will be calculated based on a notional size of 40m<sup>2</sup> gross floor area per unit.
- (c) Minimum experience in maintenance management:
  - (i) At least three years' experience in coordinating and managing maintenance and improvement works.
  - (ii) Satisfactory management of a property maintenance portfolio of not less than HK\$25 million expenditure in aggregate in the past three years, either directly supervising contractors or engaging maintenance services consultants to carry out maintenance and improvement works to building elements and building services installations, such as spalling concrete repair, redecoration, replumbing, electrical rewiring and reinforcement, lift modernisation, and fire services improvement, etc.

#### 4. *Capital Requirements for PS2 PSAs*

<b>Working Capital Required</b>	<b>Employed Capital Required</b>
Sum of:	
(a) 2 months value of PS2 or similar contracts/tenders with works content; and	
(b) 1 month value of other contracts/tenders	HK\$2 million or 20% of total assets, whichever is higher

#### Definitions

Employed Capital	Shareholders' funds in the case of limited companies, and the partners' or proprietor's funds in the case of partnership or proprietorship business. It generally comprises issued and fully paid share capital and retained earnings but excludes redeemable preference share, loan capital and loans from shareholders, revaluation reserve after charging of intangible assets including, e.g. goodwill, preliminary expenses, etc., which have not been written off. Total assets is fixed assets plus current assets and other assets.
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## REGULATORY OVERVIEW

Working Capital	Current assets net of current liabilities of the business for the purpose of financing its day-to-day operations. It is determined after adjusting for amounts not representing current resources available to the company such as doubtful debts as qualified by auditors.
Contract/Tender value	Value of contracts/tenders may include the Housing Authority, the Government and private sector service contracts and any tender(s) under consideration.

### 5. *Management*

PS2, PSAs should have a sound system of internal control. Normally this should be substantiated by a management letter from the PSA's auditor regarding the company's system of internal control.

### 6. *Minimum number, qualification and experience of full-time staff to be employed for retention*

PS2 PSAs shall submit an organisation chart for vetting. They should engage a specific member of full time managerial and supervisory personnel with relevant qualifications and local management/working experience as specified below over the past three years. The managerial personnel should be at directorate or managerial level.

<b>Qualifications and Experience</b>	<b>Minimum number for PS2 PSAs</b>	<b>Number of qualified persons in our Group as at Latest Practicable Date</b>
<b>Managerial Staff</b>		
1    Practicing member of the Hong Kong Institute of Housing/the Hong Kong Institute of Surveyors/Registered Professional Housing Manager/Registered Professional Surveyor or equivalent, with not less than 5 years' full time post-qualification working experience in property management in Hong Kong.	2	13

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<b>Qualifications and Experience</b>	<b>Minimum number for PS2 PSAs</b>	<b>Number of qualified persons in our Group as at Latest Practicable Date</b>
2 Practicing member of the Hong Kong Institute of Architects/the Hong Kong Institution of Engineers/the Hong Kong Institute of Surveyors/Registered Architect/Registered Professional Engineer/Registered Professional Surveyor or equivalent qualification such as Chartered Engineer/Chartered Surveyor, etc., with not less than 5 years' full time post-qualification working experience in property maintenance in Hong Kong.	1	12

### **Supervisory Personnel**

1 Personnel should have Level 3 or above in five subjects in the Hong Kong Diploma of Secondary Education Examination including English Language and Chinese Language, or equivalent; or Grade E or above in 2 subjects at Advanced Level in the Hong Kong Advanced Level Examination and Grade C or above in 3 other subjects in the Hong Kong Certificate of Education Examination including English Language (Syllabus B) and Chinese Language, or equivalent or above qualifications and minimum 3 years' full-time working experience in property management in Hong Kong.	4	16
2 Personnel with construction or related certificate or above qualifications and minimum 3 years' full time working experience in property maintenance in Hong Kong	2	8

#### 7. *Ethical Integrity*

The contractor (including a PSA) shall have a company code of ethics and code of conduct.

#### 8. *Quality, Environmental and Safety Management System*

A contractor (including a PSA) shall possess its own quality management policy and system and demonstrate commitment to deliver quality service and/or product to its customers.

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### 9. *Safety, Health and Environment*

A contractor (including a PSA) shall have policies and practices to ensure safe and healthy working conditions for all site personnel and to provide adequate protection for the public at large.

### 10. *Regulatory Actions against PSAs*

#### (a) PSA given adverse reports on performance

- (i) The purpose of regulating PSAs following an adverse report (“AR”) is to ensure that only suitable competent PSAs are allowed to tender for property management service contracts with pressure to put on the PSAs to improve their performance.
- (ii) Respective officers supervising different aspect of a property management service contract will give performance score known as Housing Department Assessment Score based on an objective assessment methodology. The contract administrative team comprising of professional and above rank officers supervising the concerned property management service contract will decide a judgemental score known as Management Assessment Score regarding the general contract management of a property management service contract.
- (iii) Based on the overall performance scores (with an overall threshold score and various threshold scores for different aspect of assessment scores), performance reports of the concerned property management service contracts will be triggered for discussion at the regular Contractors’ Review Committee (Property Services) meeting which will normally be held on a quarterly basis. Special Contractors’ Review Committee (Property Services) meeting may be conducted as and when necessary.
- (iv) In view of the circumstances of property management service contracts and PSAs differ greatly, progressive regulatory actions will be taken against defaulting PSAs with ‘adverse’ rating in their quarterly performance reports as indicated below:

**Level-1 action**                      automatic restriction from tendering for a three-month period (or at least one batch of property services tender should there be no tendering exercise within the restriction period) with one AR received.

**Level-2 action**                      automatic restriction from tendering for a six-month period (or at least one batch of property services tender should there be no tendering exercise within the restriction period) with two AR received for the same property management service contract within a 4-quarter period; or when the defaulting PSA who has more than one property service contract is given two AR in the same assessment quarter; three AR within a 2-quarter period; four AR within a 3-quarter period or five AR within a 4-quarter period.

## REGULATORY OVERVIEW

**Level-3 action** suspension from tendering for a 12-month period (or at least one batch of property services tender), and/or demotion from confirmed to probationary status, and/or from Group PS2 to PS1 with three AR received for the same property management service contract within a 4-quarter period; or when the defaulting PSA who has more than one property management service contract is given three AR in the same assessment quarter; four AR within a 2-quarter period, five AR within a 3-quarter period or six AR within a 4-quarter period.

**Level-4 action** demotion (from confirmed to probationary status or from Group PS2 to PS1) or list removal with four AR received for the same property management service contract within a 4-quarter period; or when the defaulting PSA who has more than one property management service contract is given four or more AR in the same assessment quarter; five or more AR within a 2-quarter period; six or more within a 3-quarter period or seven or more AR within a 4-quarter period.

- (v) The level of regulatory actions following the number of adverse reports is summarised below:

Regulatory Actions	PSA with the same property management service contract given AR within a 4-quarter period	PSA with 2 or more property management service contracts given AR within			
		The same quarter	A 2-quarter period	A 3-quarter period	A 4-quarter period
Level 1			1 AR		
Level 2	2 AR	2 AR	3 AR	4 AR	5 AR
Level 3	3 AR	3 AR	4 AR	5 AR	6 AR
Level 4	4 AR	4 AR or more	5 AR or more	6 AR or more	7 AR or more

- (vi) Notwithstanding the provisions stipulated above, more rigorous regulatory actions will be imposed against defaulting PSAs with serious or continuous poor performance.
- (vii) List regulatory action following AR rating under these procedures will be imposed on the date of approval of the regulatory action unless and until there is decision of the Chairman of the Procurement Review List Management Board to vary such decision upon a successful and valid objection as determined by the Chairman of

## REGULATORY OVERVIEW

the Procurement Review List Management Board. The regulatory action will be taken after a Contractors Review Committee (Property Services) interview with the defaulting PSA.

- (viii) Except for removal from the HA List of PSAs, regulatory action will not be withheld or withdrawn despite it is under objection. PSA removed from the List may apply for re-admission. Subsequent application by the PSA removed from the HA List will be deemed a fresh application subject to the other provisions stipulated in the HA Guide. The Housing Authority may have specific deliberation for re-admission which will be considered on individual merits of each application.
- (b) PSA convicted of contraventions under the Employment Ordinance, the Employees' Compensation Ordinance, the Mandatory Provident Fund Schemes Ordinance or the Immigration Ordinance
  - (i) PSA with one or more convictions under the Relevant Ordinances shall be removed from the respective Group of the HA List of PSAs.
  - (ii) All convictions in respect of the Employment Ordinance and the Employees' Compensation Ordinance which individually carry maximum fines corresponding to Level 5 or higher within the meaning of Schedule 8 to the Criminal Procedure Ordinance (Cap. 221 of the Laws of Hong Kong) will count.
  - (iii) Convictions under section 17(I)(1) of the Immigration Ordinance, section 89 of the Criminal Procedure Ordinance (Chapter 221 of the Laws of Hong Kong) and section 41 of the Immigration Ordinance and section 38A(4) of the Immigration Ordinance will count.
  - (iv) Convictions under sections 7 and 7A of the Mandatory Provident Fund Schemes Ordinance and section 43E of the Immigration Ordinance will count.
  - (v) Convictions will be counted irrespective of whether they are obtained in respect of a government or private service contract and irrespective of the type of services offered under the service contract. Convictions will be counted by the number of summons convicted.
  - (vi) For the purpose of the HA List of PSAs removal under these procedures, PSA obtained one or more convictions under the relevant Ordinances on or after 1 May 2006 will count.
- (c) PSA given default notices under the demerit point system
  - (i) Under the Demerit Point System, a Default Notice (“DN”) will be issued to a PSA who is found to have breached each of the contractual obligations that have been stipulated in the contract document. Each kind of breach will lead to the issuance of one DN.

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- (ii) Under the demerit point system, each DN so issued attracts one demerit point. A demerit point will be awarded to the defaulting PSA on the same date when the DN is issued. A PSA with three or more demerit points received either from the Housing Department or any government departments within a rolling 36-month period will be removed from the respective group of the HA List of PSAs.
- (iii) Prior to removal from the HA List of PSAs, the concerned PSAs obtained the third demerit point within a rolling 36-month period will automatically be placed under suspension from tendering once the third demerit point is imposed.
- (iv) The date on which the third demerit point is attracted will be used in determining action under these procedures. For demerit point awarded by other government departments, the concerned PSA will be considered as being placed under suspension from tendering automatically once the third demerit point is attracted within a rolling 36-month period.
- (v) Suspension from tendering will only be uplifted after the relevant appeal panel has decided that the appeal against the decisions regarding the concerned DN is valid with the issued DN withdrawn and the awarded demerit point taken away. Upon the uplifting of suspension from tendering, the status of the concerned PSA will be reinstated accordingly.

### **Requirements for retention of Cleansing Service Contractors in the HA Lists**

The material requirements for retention of cleansing service contractors on the list of the Housing Authority pursuant to the HA Guide are summarised below:

#### *1. Mandatory Requirements for Retention*

- (a) At the time of the annual renewal for retention on the HA List of Cleansing Service Contractors, cleansing service contractors shall be required to submit a statement of:
  - (i) “All convictions” or “no convictions” under the Relevant Ordinances in respect of both government and private service contracts; and
  - (ii) “All demerit points” or “no demerit points” obtained under the demerit point system in respect of service contracts employing non-skilled workers managed by the Housing Department and other relevant government departments.

#### *2. Minimum Scope of Certification*

A cleansing service contractor shall possess the certificate with the minimum scope of certification as indicated below:

OHSAS 18001 Certification in the Provision of Cleansing Services as mentioned in paragraphs (i) to (iv) below:

- (i) Headquarters of the cleansing service contractor must be certified;



## REGULATORY OVERVIEW

- (ii) All Housing Department direct-managed estates and those estates managed by the cleaning service contractor must be certified;
- (iii) For cleansing service contractors in Band IA and Band IB of the HA List, all the Housing Authority service contracts in hand must be accredited. Part of the cleansing service contractors' private sites should be certified if the total number of units in the Housing Authority sites are less than a threshold of certification of 750 units or 250 units for cleansing service contractors in Band IIA or Band IIB of the HA List respectively. In case the total number of units managed by a cleansing service contractors is less than the threshold, all sites managed by that cleansing service contractor must be certified; and
- (iv) In case the total number of units managed by a cleansing service contractor is less than the threshold, exemption could be applied by submitting documentary proof for those private sites where the incorporated owners or owners committee, etc. declined to implement the accreditation requirements at their sites. In such case, the Housing Authority sites or at least one private site under the management of the cleansing service contractor should be certified.

### *3. Minimum Requirement on Company Experience*

Band IIA Cleansing service contractors should possess at least two years' experience in providing cleansing business to residential estates/buildings of not less than 1,500 units in Hong Kong with at least HK\$5 million annual turnover and have satisfactory proven work records over the past two years.

### *4. Capital Requirements for Band IIA cleansing service contractors*

#### **Working Capital Required**

- (a) 1 month of outstanding contract value and 2 months of tender value (if applicable); or
- (b) the minimum of HK\$700,000, whichever is higher

#### **Employed Capital Required**

- (a) 20% of total assets or
- (b) the minimum of HK\$800,000, whichever is higher

*Note:* Contract/Tender Value represent the value of contracts/tenders which include the Housing Authority, Government and private sector service contracts on a world wide basis and any tender(s) under consideration.

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### 5. *Minimum Number, qualification and Experience of Full Time Staff to be Employed*

Cleansing service contractors should directly employ (which means staff employed by the cleansing service contractor or by the cleansing service contractor's parent company for the exclusive use of the cleansing service contractor) a specific number of full time managerial personnel with relevant qualifications and local management/working experience as specified below:

<b>Qualifications and Experience of Managerial Staff</b>	<b>Minimum Number</b>	<b>Number of qualified persons in our Group as at Latest Practicable Date</b>
Personnel with Form 5 or above qualifications and minimum 5 years' practical experience in relevant field in Hong Kong	1	25 <i>(Note)</i>

A local cleansing workforce with at least 30 personnel for residential buildings.

*Note:* This number only represents our employees with professional qualifications who have also attained the required qualifications and experience (i.e. Form 5 or above and minimum 5 years' practical experience in the relevant field in Hong Kong).

### 6. *Ethical Integrity*

The contractor (including a cleansing service contractor) shall have a company code of ethics and code of conduct.

### 7. *Environmental Management*

A cleansing service contractor shall submit an environmental management plan detailing its environmental policy, measures, training arrangement, procurement of products, monitoring and evaluation systems to track its pledge on environmental performance.

### 8. *Quality and Safety Management System*

A contractor (including a cleansing service contractor) shall possess its own quality management policy and system and demonstrate commitment to deliver quality service and/or product to its customers.

### 9. *Safety and Health*

A contractor (including a cleansing service contractor) shall have policies and practices to ensure safe and healthy working conditions for all site personnel and to provide adequate protection for the public at large.

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### Requirements for retention of Security Service Contractors in the HA Lists

The material requirements for retention of security service contractors on the list of the Housing Authority pursuant to the HA Guide are summarised below:

#### 1. *Mandatory Requirements for Retention*

At the time of the annual renewal for retention on the HA List of Security Service Contractors, security service contractors shall be required to submit a statement of:

- (i) “All convictions” or “no convictions” under the Relevant Ordinances in respect of both government and private service contracts; and
- (ii) “All demerit points” or “no demerit points” obtained under the demerit point system in respect of service contracts employing non-skilled workers managed by the Housing Department and other relevant government departments.

#### 2. *Statutory Registration*

Security service contractors should be holders of valid Type I security company licence under Part IV of Security and Guarding Services Ordinance.

#### 3. *Minimum Requirement on Company Experience*

Band IIA Security service contractors should possess at least three years’ experience in providing security guarding services to residential/commercial buildings with at least HK\$20 million annual turnover (half of the turnover should be from residential buildings) in provision of security guarding services in Hong Kong and have satisfactory proven work records over the past three years.

#### 4. *Capital Requirements for Band IIA security service contractors*

##### **Working Capital Required**

- (a) 1 month of outstanding contract value and 2 months of tender value (if applicable); or
- (b) the minimum of HK\$1 million, whichever is higher

##### **Employed Capital Required**

- (a) 20% of total assets or
- (b) the minimum of HK\$600,000, whichever is higher

*Note:* Contract/Tender Value represent the value of contracts/tenders which include the Housing Authority, Government and private sector service contracts on a world wide basis and any tender(s) under consideration.

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### 5. *Minimum Number, qualification and Experience of Full Time Staff to be Employed*

Security service contractors should directly employ (which means staff employed by the security service contractor or by the security service contractor's parent company for the exclusive use of the security service contractor) a specific number of full time managerial personnel with relevant qualifications and local management/working experience as specified below:

<b>Qualifications and Experience of Managerial Staff</b>	<b>Minimum Number</b>	<b>Number of qualified persons in our Group as at Latest Practicable Date</b>
Personnel with Form 7 or above qualifications and minimum 5 years' practical experience in relevant field in Hong Kong	1	25 <i>(Note)</i>

A local guarding workforce with at least 100 personnel.

*Note:* This number only represents our employees with professional qualifications who have also attained the required qualifications and experience (i.e. Form 7 or above and minimum 5 years' practical experience in the relevant field in Hong Kong).

### 6. *Ethical Integrity*

The contractor (including a security service contractor) shall have a company code of ethics and code of conduct.

### 7. *Quality, Environmental and Safety Management System*

A contractor (including a security service contractor) shall possess its own quality management policy and system and demonstrate commitment to deliver quality service and/or product to its customers.

### 8. *Safety, Health and Environment*

A contractor (including a security service contractor) shall have policies and practices to ensure safe and healthy working conditions for all site personnel and to provide adequate protection for the public at large.

## **Licence Regime for Property Management Services**

The Legislative Council enacted the Property Management Services Ordinance on 26 May 2016. On 24 October 2016, part of the Property Management Services Ordinance came into force. The Property Management Services Authority was established on 24 October 2016. Its principal functions are (i) to regulate and control the provision of property management services in Hong Kong by the licensing of property management companies and property management practitioners; (ii) to promote the integrity, competence and professionalism of the profession of property management services; and (iii) to maintain and enhance the status of the profession of property management services.

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As at the Latest Practicable Date, only sections 1 and 2; Part 7; sections 66(2) and 68; and Schedules 3 and 5 of the Property Management Services Ordinance have come into operation. There is no indication when the Property Management Services Ordinance will fully come into force.

Under section 6(1) of the Property Management Services Ordinance, no person may, without a property management company licence (“**PMC licence**”) issued in accordance with the Property Management Services Ordinance (i) act as a business entity (whether a company, partnership or sole proprietorship) that carries on the business of providing property management services (“**property management company**”); or (ii) claim to be a holder of a PMC licence (“**licensed PMC**”).

Under section 7(2) of the Property Management Services Ordinance, a property management company whose business does not involve the provision of property management services that fall within more than one category of services does not require a PMC licence.

Under section 8(1) of the Property Management Services Ordinance, the Property Management Services Authority may, on application, issue (i) a PMC licence; (ii) a property management practitioner (Tier 1) licence (“**PMP (Tier 1) licence**”); or (iii) a property management practitioner (Tier 2) licence (“**PMP (Tier 2) licence**”). Under Section 11(2) of the Property Management Services Ordinance, in determining whether a person is a suitable person to hold a PMC licence, the Property Management Services Authority must have regard to the following in case of a company (i) whether the company is in liquidation or is the subject of a winding-up order; (ii) whether a receiver has been appointed in relation to the company; (iii) whether, in the 5 years before the relevant application, the company has entered into a composition or scheme of arrangement with its creditors; (iv) whether the company has been convicted of a criminal offence (other than an offence under the Property Management Services Ordinance) involving fraud or dishonesty; (v) whether the company has been convicted of a disciplinary offence or a criminal offence under this Ordinance; (vi) whether every director of the company is a suitable person to be associated with the company’s business of providing property management services.

Modern Living will likely be able to meet the aforesaid requirements in that: (i) it is unlikely Modern Living will be in liquidation or is the subject of a winding-up order at the time of the application; (ii) it is unlikely that a receiver will be appointed in relation to Modern Living; (iii) it is unlikely that in the 5 years before the intended application, Modern Living has entered into a composition or scheme of arrangement with its creditors; (iv) it is unlikely that Modern Living will be convicted of a criminal offence involving fraud or dishonesty; (v) it is unlikely that Modern Living will be convicted of a disciplinary offence or a criminal offence under the Property Management Services Ordinance; (vi) every director of Modern Living is and is expected to be a suitable person to be associated with Modern Living’s business of providing property management services.

As at the Latest Practicable Date, there were only 28, 30 and 21 entities on the HA List of PSAs (including Group PS1 and Group PS2), cleansing service contractors and security service contractors, respectively. Modern Living has passed through a set of requirements covering company experience, capital requirement, qualification and experience of full time staff and safety, health and environment measures, details of which are set out above. Modern Living is one of the entities on the HA Lists. According to the Key Statistics on Business Performance and Operating Characteristics of the Building Construction and Real Estate Sectors in 2015 issued by the Census and Statistics Department of the Government, in 2015 there were 573 establishments in the real estate maintenance industry. Since the

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number of establishments in the real estate maintenance industry is substantially larger than that in the HA Lists, it is believed that the requirements of the proposed regulatory framework may unlikely be more stringent than that for the admission and retention in the HA Lists, otherwise the number of market player may drop significantly, contravening the legislative intent that “there should not be a sudden shortfall in the supply of property management companies and practitioners”. On such basis, although the detailed requirements of the regulatory regime have not been announced yet, based on the advice of Counsel, it is our Directors’ view that there would be no significant impediment for our Group to obtain the licence.

In addition, as advised by Counsel, as most of the key sections of the Property Management Services Ordinance are not yet in operation as at the Latest Practicable Date, there is no provision in the Property Management Services Ordinance as to the amount of licence fees to be paid for application and/or renewal of the licence. Based on the knowledge of our Directors, we consider that the amount of licencing fees and related costs to be paid when the Property Management Services Ordinance becomes fully effective in the future will not have a material impact on our Group’s financial position.

### **The property management of private properties in Hong Kong**

The management of a private property in Hong Kong is basically operated under the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong) and under DMCs. The Building Management Ordinance provides the legislative framework setting out the rules and regulations for the incorporation of owners of units in buildings or groups of buildings and for the management of buildings or group of buildings.

Under the Building Management Ordinance, an owners’ corporation can be formed to deal with building management matters on behalf of all the owners. When an owners’ corporation has been formed, the rights, powers, privileges and duties of the owners in relation to the common parts of the building shall be exercised and performed by the owners’ corporation. In addition, the owner’s corporation may decide whether to engage any paid staff member, property management company or other professional trade or person to assist in carrying out its duties or powers.

A DMC is a document registered with the Land Registry and sets out the rights, interests and obligations of the owners of the units in a building. In a typical situation, an owners’ corporation or other owner/tenant body such as an owner committee or a mutual aid committee would be established and a management committee would be elected to represent such body to work with and monitor the performance of the property manager.

In addition to providing property management services, the property manager is also required under the Building Management Ordinance to prepare annual budgets for the management expenses and prepare income and expenditure statements. Furthermore, the Code of Practice issued under the Building Management Ordinance stipulates, among other things, that the procurement of supplies, goods and services by the owners’ corporation exceeding certain amounts specified thereunder should be conducted by way of tenders.

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To promote the standards of the housing management profession in Hong Kong, the Hong Kong Institute of Housing Ordinance (Chapter 507 of the Laws of Hong Kong) (the “**HK Institute of Housing Ordinance**”) was enacted to recognise the qualifications of housing professionals. In addition, the Housing Managers Registration Ordinance (Chapter 550 of the Laws of Hong Kong) (the “**Housing Managers Registration Ordinance**”) was also enacted, providing for the registration of professional housing managers who have achieved the qualifications and experience recognised by the Hong Kong Institute of Housing and for the disciplinary control of the professional activities of such registered managers.

The Home Affairs Bureau maintains a list of building management agents for the purpose of appointment of building management agents by Secretary for Home Affairs or by order of lands tribunal in Hong Kong pursuant to the Building Management Ordinance.

Building management agents may be appointed by order of the Secretary for Home Affairs pursuant to the Building Management Ordinance. When it appears to the Secretary for Home Affairs in case of any building with a management committee that:

- (a) no person is, for the time being, managing that building;
- (b) the management committee has, in any material particular, failed substantially to perform the duties of a corporation under section 18 of the Building Management Ordinance; and
- (c) by reason of the circumstances mentioned in paragraphs (a) and (b), there is a danger or risk of danger to the occupiers or owners of the building,

the Secretary for Home Affairs may order that, within such reasonable period as shall be specified in the order, the management committee must appoint a building management agent for the purposes of managing that building.

Building management agents may also be appointed by order of the Lands Tribunal in Hong Kong under certain limited circumstances specified in the Building Management Ordinance.

A person is eligible to be appointed as a building management agent if his name appears in a list of persons engaged in the business of the management of buildings compiled by the Secretary for Home Affairs from time to time.

### **Requirements for the procurement of supplies, goods and services by an owners’ corporation**

The procurement of supplies, goods and services (including the service for property management) by owners’ corporations is regulated by the Building Management Ordinance. Pursuant to the Building Management Ordinance, the procurement of all supplies, goods or services required by an owners’ corporation in the exercise of its powers and the performance of its duties under the DMC (if any) or the Building Management Ordinance shall be procured by invitation to tender if the value of service exceeds or is likely to exceed:

- (a) the sum of HK\$200,000; or
- (b) a sum which is equivalent to 20% of the annual budget of the owners’ corporation, whichever is the lesser.

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Whether the tender submitted for such purpose is accepted or not shall be decided by a resolution of the owners passed at a general meeting of the owners' corporation.

The above requirement for invitation to tender is exempted if:

- (a) the relevant supplies, goods or services are of the same type as any supplies, goods or services which are for the time being supplied to the owners' corporation by a supplier; and
- (b) the owners' corporation decides by a resolution of the owners passed at a general meeting of the owners' corporation that the relevant supplies, goods or services shall be procured from that supplier on such terms and conditions as specified in the resolution.

If the above requirements are not complied with, the contract for the procurement of the relevant supplies, goods or services is not void by reason only that it does not comply with the above requirements. However, subject to order made by the Hong Kong court, the contract may be avoided, i.e. cancelled by the owners' corporation by a resolution of the owners passed at a general meeting of the owners' corporation, only for the reason that it does not comply with the above requirements. The Hong Kong courts may make such orders (including whether the service contract is void or voidable) and give such directions in respect of the rights and obligations of the contractual parties as it thinks fit having regard to various circumstances including whether the owners have benefited from the service contract and whether the owners have incurred any financial loss due to the service contract and the extent thereof.

Unless and until the relevant service contract is cancelled by the owners' resolution at a general meeting of the owners, the service contract remains valid and enforceable, and each party is required to fulfil its obligations thereunder.

Apart from the Building Management Ordinance, the Housing Ordinance, the HK Institute of Housing Ordinance, the Housing Managers Registration Ordinance and the Property Management Services Ordinance, there is no other specific legislation in Hong Kong that governs the property management industry. However, property management is a multi-disciplinary business covering a wide variety of trades including the provision of maintenance and security services. The qualifications of the building services engineers, maintenance surveyors, technicians and security guards providing such services are subject to other various legislative requirements.



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### **THE HONG KONG LAWS IN RELATION TO LABOUR, HEALTH AND SAFETY**

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

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

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

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

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

Under the Mandatory Provident Fund Schemes Ordinance, the employers shall participate in a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employers and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

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

Pursuant to section 43C of the Employment Ordinance, if any wages become due to an employee who is employed by a sub-contractor on any work involving, inter alia, external cleaning of any building, dock or pier which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every sub-contractor jointly and severally. However, such payment of wages is recoverable from the sub-contractor pursuant to section 43F of the Employment Ordinance.

#### **Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)**

Under the Employees’ Compensation Ordinance all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees’ Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

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Further, pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractor's employees who are injured in the execution of the work which the subcontractor has contracted to perform. The principal contractor is, nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee.

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

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

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

Under the Immigration Ordinance, a person requires a visa or entry permit to work in Hong Kong unless the person has the right of abode or right to land in Hong Kong. Section 17I of the Immigration Ordinance provides that any person who is the employer of an employee who is not lawfully employable commits an offence and is liable to a fine of HK\$350,000 and to imprisonment for three years.

## **THE HONG KONG LAWS IN RELATION TO THE CLEANING BUSINESS**

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

Section 9 of the WDO allows the collection authority, including FEHD and EPO (the "**Collection Authority**") to provide service for the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste.

Section 10 of the WDO provides that the Collection Authority may, by licence, permit any person to provide services for all or any of the matters referred in Section 9 of the WDO.

Section 11 of the WDO prohibits the collection, removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste by any person or entities (the "**Services**") unless such person or entity is licensed by the EPD or the FEHD. For details, please refer to the paragraph headed "Business — Compliance with the WDO" in this prospectus.

Section 12(1) of the WDO provides that it shall not be an offence under section 11 of the WDO for an occupier of any building, or any person responsible for the management of any building, to remove household waste from any building if:

- (a) the Collection Authority or any person holding a waste collection licence neglects or fails for a period of 48 hours to remove household waste for any building in respect of which the authority or person provides that service under section 9 or section 10 of the WDO; or
- (b) no such service for the removal of household waste is provided by the Collection Authority or a person holding a waste collection licence.

## **REGULATORY OVERVIEW**

### *Waste Disposal (Refuse Transfer Station) Regulation (Chapter 354M of the Laws of Hong Kong)*

Under the Waste Disposal (Refuse Transfer Station) Regulation, any person who disposes waste at the refuse transfer station shall comply with the relevant account registration requirements and shall pay for the fee as prescribed in the regulation.

### **THE HONG KONG LAWS IN RELATION TO THE SECURITY INDUSTRY**

Individuals providing security work and companies offering security services to any property are regulated under a permit and a licence system respectively under the Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong).

Under section 10 of the Security and Guarding Services Ordinance, no individual shall do, agree to do, or hold himself out as doing or as available to do, security work for another person unless he does so (i) under and in accordance with a permit issued or renewed in accordance with the Security and Guarding Services Ordinance; or (ii) otherwise than for reward.

Under the current security personnel permit regime, there are four categories of security work in which a person holding a permit may perform which include (i) guarding work restricted to a “single private residential building”, the performance of which does not require the carrying of arms and ammunition (“**Category A**”); (ii) guarding work in respect of any persons, premises or properties, the performance of which does not require the carrying of arms and ammunition and which does not fall within Category A; (iii) guarding work, the performance of which requires the carrying of arms and ammunition; and (iv) installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a system incorporating a security device.

Under section 11(1) of the Security and Guarding Services Ordinance, no person other than a company acting under and in accordance with a licence issued or renewed in accordance with the Security and Guarding Service Ordinance shall supply, agree to supply, or hold itself out as supply any individual to do security work for another person for reward.

Under the current security company licence regime, there are three types of security work in which a company holding a licence may perform which include (i) the provision of security guarding services; (ii) the provision of armoured transportation services; and (iii) installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device.

The Security and Guarding Services Industry Authority was established on 1 June 1995 under the Security and Guarding Services Ordinance to administer a licensing scheme to regulate the security industry.

### **THE HONG KONG LAWS IN RELATION TO THE PROVISION OF ELECTRICAL WORK**

All workers engaged in electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department to ensure that such work is carried out only by qualified electrical workers. Persons engaged in work on portable electrical appliances, such as table lamps, television sets and refrigerators, need not be registered.

## **REGULATORY OVERVIEW**

There are five grades of certificates of registration and to be qualified, an applicant must possess appropriate qualifications, training and experience according to the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) and Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong).

## HISTORY, REORGANISATION AND GROUP STRUCTURE

### GENERAL

Modern Living was incorporated in 2001. Modern Living commenced its business in property management services, security services, building services and building works services in 2002 in light of the Government policy of increasing private sector involvement in public estate management since 2000. Mr. Tang, Mr. T. W. Ho, Mr. Yiu, three other ex-shareholders (the “**Three Ex-shareholders**”), namely Mr. Leung Kai Pong, Mr. Fan Wing Chuen and Mr. Yip Kam Chuen, and Easy Living Property Management Limited (currently named as Easy Living Consultant Limited) (all of them are Independent Third Parties) founded Modern Living in November 2001 in view of the opportunity offered by the Government policy to contract out the public estate management to the private sector. Mr. Tang, Mr. T. W. Ho, Mr. Yiu, Mr. Leung Kai Pong, Mr. Fan Wing Chuen and Mr. Yip Kam Chuen were all ex-employees of the Housing Department, and Easy Living Property Management Limited was an associated company of a listed property development group (the “**Property Group**”) in Hong Kong. Easy Living Property Management Limited later transferred its entire interest in Modern Living to Sheen Choice Limited, which was another associated company of the Property Group, in the same month.

In 2007, Sheen Choice Limited decided to focus on its own business development and sold its entire interest in Modern Living to Ms. Tam, Mr. C. M. Ho, Ms. Yeung and Mr. Li Yuk Ching (who ceased to be a shareholder of Modern Living in 2013) and Ms. Tam became the single largest shareholder of Modern Living, holding 25% of the then issued share capital of Modern Living. Before the Track Record Period, the Three Ex-shareholders sold their entire interests in Modern Living to some of our Shareholders. There were also some other changes in the shareholding of Modern Living prior to and during the Track Record Period. The main reason of these shareholding changes was to align the interests of Modern Living with some of its key employees and to bring in other expertise, such as accounting and internal control, to improve the business operations of Modern Living. Ms. Tam remained the largest shareholder of Modern Living and her interest had increased from 25% in 2007 to approximately 45% of the then issued share capital of Modern Living immediately prior to the Reorganisation. The shareholding changes of material importance in Modern Living are detailed in the paragraph headed “Corporate Structure — Modern Living” in this section below.

As a part of the Reorganisation, Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu held their respective interest in Modern Living through R5A Group Limited as a group of Controlling Shareholders.

Our Group’s business has grown over the years with annual turnover reaching approximately HK\$344.5 million for FY2016. As at the Latest Practicable Date, our Group provided property management services including estate management services, security services and cleaning services to 28 public estates in Hong Kong and employed approximately 2,270 employees for our business operation.

### Business Milestones

- |      |   |
|------|---|
| 2002 | Modern Living was first awarded a property management service contract by the Housing Authority and commenced to provide property management services for Kwong Fuk Estate in Hong Kong |
| 2004 | Modern Living was admitted to the HA List of PSAs, which was introduced by the Housing Authority in the same year, to manage PRH estates  |

## HISTORY, REORGANISATION AND GROUP STRUCTURE

- 2009 Modern Living commenced to provide cleaning services for Tin Yiu (I) Estate and Tin Yiu (II) Estate in Hong Kong <sup>(Note)</sup>
- 2011 Modern Living was first awarded the accreditations of ISO 9001:2008, ISO 10002:2014, ISO 14001:2004 and OHSAS 18001:2007
- 2012 Modern Living was admitted to the HA List of Cleansing Service Contractors and the HA List of Security Service Contractors
- 2014 Modern Living successfully awarded three property management service contracts of a total of 40,488 effective units in 2014. By the end of 2014, the total effective units taken up by Modern Living increased to 66,116 units
- 2015 Modern Living was awarded the Estate Management Services Contractors Awards 2014 — Best Property Services Agent (Public Rental Housing) — Silver Award by the Housing Authority
- 2016 Modern Living was awarded the Estate Management Services Contractors Awards 2015 — Best Property Services Agent (Public Rental Housing) — Bronze Award by the Housing Authority
- 2017 Modern Living was awarded the Estate Management Services Contractors Awards 2016 — Best Property Services Agent (Tenants Purchase Scheme) by the Housing Authority
- Modern Living was awarded the Estate Management Services Contractors Awards 2016 — Best Property Services Agent (Public Rental Housing) — Silver Award by the Housing Authority

*Note:* As Modern Living provided cleaning services by its own staff instead of outsourcing the cleaning services, it was not required for Modern Living to be admitted to the HA List of Cleansing Services Contracts.

### CORPORATE STRUCTURE

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

#### **Our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 June 2017 with 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 nominee subscriber, Reid Services Limited at par. On 26 June 2017, the one Share held by the initial nominee subscriber was transferred to R5A Group Limited.

## HISTORY, REORGANISATION AND GROUP STRUCTURE

On 10 July 2017, our Company allotted and issued 1,719 Shares, 200 Shares, 120 Shares, 40 Shares and 20 Shares (all credited as fully paid) to R5A Group Limited, Ms. Yeung, Ms. Lok, Mr. Yun and Mr. K. T. Ho, respectively, pursuant to an agreement entered into between Modern Living Investments (as purchaser), Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Ms. Yeung, Mr. T. W. Ho, Mr. Yiu, Ms. Lok, Mr. Yun and Mr. K. T. Ho (collectively as vendors), R5A Group Limited and our Company dated 10 July 2017, as consideration for the acquisition by Modern Living Investments of the entire issued share capital of Modern Living and such allotment and issuance of Shares were completed on the same date.

### Our Subsidiaries

As at the Latest Practicable Date, our Company has two subsidiaries, namely, Modern Living Investments and Modern Living, details of which are set out below.

#### Modern Living Investments

Modern Living Investments, a limited liability company, was incorporated in BVI on 27 June 2017. It is an investment holding company. Modern Living Investments is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00, of which one share was allotted and issued as fully paid to our Company at par and such allotment and issuance of Shares were legally completed on the same date.

As at the Latest Practicable Date, Modern Living Investments was an intermediate holding company and held the entire issued share capital of Modern Living.

#### Modern Living

Modern Living was incorporated in Hong Kong on 17 October 2001. It is our sole operating subsidiary, principally engaging in the provision of property management services. Mr. Tang, Mr. Yiu and Mr. T. W. Ho were three of the founding shareholders of Modern Living.

Modern Living had the following shareholding changes of material importance before the Track Record Period:

Date	Parties involved	Details of shareholding changes
23 July 2002	Mr. Leung Kai Pong (one of the Three Ex-shareholders) and Mr. Fan Wing Chuen, Mr. Tang, Mr. Yiu, Mr. Yip Kam Chuen and Mr. T. W. Ho	Mr. Leung Kai Pong sold 20,000 shares to each of Mr. Fan Wing Chuen, Mr. Tang, Mr. Yiu, Mr. Yip Kam Chuen and Mr. T. W. Ho, each of which represented 4% of the then total issued share capital of Modern Living, each of which at the consideration of HK\$20,000 with reference to the par value of the shares. Mr. Leung Kai Pong ceased to be a shareholder of Modern Living after the share transfer.

## HISTORY, REORGANISATION AND GROUP STRUCTURE

Date	Parties involved	Details of shareholding changes
30 April 2007	Sheen Choice Limited and Ms. Tam, Ms. Yeung, Mr. C. M. Ho and Mr. Li Yuk Ching (who ceased to be a shareholder of Modern Living in 2013)	Sheen Choice Limited sold 125,000 shares, 90,000 shares, 15,000 shares and 15,000 shares of Modern Living to Ms. Tam, Ms. Yeung, Mr. C. M. Ho and Mr. Li Yuk Ching, respectively, which represented 25%, 18%, 3% and 3% of the then total issued share capital of Modern Living, at the consideration of HK\$3,754,237, HK\$2,703,052, HK\$450,509 and HK\$450,509, respectively, with reference to factors including the net asset value of Modern Living of the preceding year and a premium in light of the business prospect of Modern Living. After the share transfer, Ms. Tam, Ms. Yeung, Mr. C. M. Ho and Mr. Li Yuk Ching became shareholders of Modern Living, while Sheen Choice Limited ceased to be a shareholder of Modern Living.
16 August 2010	Mr. Fan Wing Chuen (one of the Three Ex-shareholders) and Mr. Yun	Mr. Fan Wing Chuen sold 5,000 shares of Modern Living to Mr. Yun, which represented 1% of the then total issued share capital of Modern Living, at the consideration of HK\$143,600 with reference to the net asset value of Modern Living of the preceding year. Mr. Yun became the shareholder of Modern Living after the share transfer.
7 February 2013	Mr. Yip Kam Chuen (one of the Three Ex-shareholders) and Ms. Tam	Mr. Yip Kam Chuen sold 350,000 shares of Modern Living to Ms. Tam, which represented 3.5% of the then total issued share capital of Modern Living, at the consideration of HK\$793,068.50 with reference to the net asset value of Modern Living of the preceding year. Mr. Yip Kam Chuen ceased to be a shareholder of Modern Living after the share transfer.
6 November 2013	Mr. Fan Wing Chuen (one of the Three Ex-shareholders) and Mr. Sung	Mr. Fan Wing Chuen sold 400,000 shares of Modern Living to Mr. Sung, which represented 4% of the then total issued share capital of Modern Living, at the consideration of HK\$1,056,480 with reference to the net asset value of Modern Living of the preceding year. Mr. Sung became the shareholder of Modern Living after the share transfer. Mr. Fan Wing Chuen ceased to be a shareholder of Modern Living.
6 October 2014	Mr. K. T. Ho and Modern Living	Upon exercising the share options granted by Modern Living to Mr. K. T. Ho on 10 August 2011, Modern Living allotted and issued 100,000 shares to him, which represented 0.488% of the then total issued share capital of Modern Living, at the consideration of HK\$192,000. Mr. K. T. Ho became the shareholder of Modern Living after the allotment.



## HISTORY, REORGANISATION AND GROUP STRUCTURE

As at the commencement of the Track Record Period, the issued share capital of Modern Living was HK\$21,460,000 divided into 21,000,000 shares and its shareholding structure was as follows:

Name of shareholder	Identity of shareholder	No. of shares held by the shareholder	Percentage of shareholdings
Ms. Tam	Spouse of Mr. Ng	8,600,000 shares	40.95%
Mr. Sung	Mr. Sung was introduced by Ms. Tam, Mr. Ng and Mr. C. M. Ho to assist Modern Living in enhancing the accounting and internal control systems	2,400,000 shares	11.43%
Mr. Tang	Shareholder of Modern Living since 2001 and director of Modern Living, primarily responsible for the maintenance management of the public estates and technical matters	2,200,000 shares	10.48%
Ms. Yeung	Investor	2,000,000 shares	9.52%
Mr. C. M. Ho	Assistant general manager of Modern Living	1,800,000 shares	8.57%
Mr. Yuen Moon Chee	Former employee of Modern Living	1,200,000 shares	5.71%
Mr. Yiu	Shareholder of Modern Living since 2001 and director of Modern Living, responsible for managing building works	600,000 shares	2.86%
Mr. Lau Chak Man	Former employee of Modern Living	600,000 shares	2.86%
Ms. Szeto Shuk Yee	Former employee of Modern Living	400,000 shares	1.91%
Mr. Yun	Director of Modern Living, responsible for overseeing estate management	400,000 shares	1.91%
Mr. T. W. Ho	Shareholder of Modern Living since 2001 and employee of Modern Living	400,000 shares	1.91%
Mr. Li Woon Fun Louis	Former director of Modern Living	200,000 shares	0.95%
Mr. K. T. Ho	Employee of Modern Living	<u>200,000 shares</u>	<u>0.95%</u>
		<u><u>21,000,000 shares</u></u>	<u><u>100.00%</u></u>

## HISTORY, REORGANISATION AND GROUP STRUCTURE

During the Track Record Period, Modern Living had the following shareholding changes:

Date	Parties involved	Details of shareholding changes
3 December 2015	Mr. Li Woon Fun Louis and Ms. Tam	Mr. Li Woon Fun Louis sold 100,000 shares of Modern Living to Ms. Tam, which represented 0.48% of the then issued share capital of Modern Living, at a consideration of HK\$242,200 with reference to the net asset value of Modern Living of the preceding year.
3 December 2015	Mr. Li Woon Fun Louis and Mr. C. M. Ho	Mr. Li Woon Fun Louis sold 100,000 shares of Modern Living to Mr. C. M. Ho, which represented 0.48% of the then issued share capital of Modern Living, at a consideration of HK\$242,200 with reference to the net asset value of Modern Living of the preceding year. Mr. Li Woon Fun Louis ceased to be a shareholder of Modern Living after the share transfer.
3 December 2015	Mr. Yiu and Mr. C. M. Ho	Mr. Yiu sold 500,000 shares of Modern Living to Mr. C. M. Ho, which represented 2.38% of the then issued share capital of Modern Living, at a consideration of HK\$1,136,000 with reference to the net asset value of Modern Living of the preceding year.
3 December 2015	Mr. T. W. Ho and Mr. Sung	Mr. T. W. Ho sold 200,000 shares of Modern Living to Mr. Sung, which represented 0.95% of the then issued share capital of Modern Living, at a consideration of HK\$454,400 with reference to the net asset value of Modern Living of the preceding year.
3 December 2015	Mr. Lau Chak Man and Mr. Sung	Mr. Lau Chak Man sold 200,000 shares of Modern Living to Mr. Sung, which represented 0.95% of the then issued share capital of Modern Living, at a consideration of HK\$454,400 with reference to the net asset value of Modern Living of the preceding year.

## HISTORY, REORGANISATION AND GROUP STRUCTURE

Date	Parties involved	Details of shareholding changes
3 December 2015	Mr. Lau Chak Man and Ms. Tam	Mr. Lau Chak Man sold 400,000 shares of Modern Living to Ms. Tam, which represented 1.91% of the then issued share capital of Modern Living, at a consideration of HK\$908,800 with reference to the net asset value of Modern Living of the preceding year. Mr. Lau Chak Man ceased to be a shareholder of Modern Living after the share transfer.
3 December 2015	Mr. Yuen Moon Chee and Ms. Lok	Mr. Yuen Moon Chee sold 1,200,000 shares of Modern Living to Ms. Lok, which represented 5.71% of the then issued share capital of Modern Living, at a consideration of HK\$2,726,400 with reference to the net asset value of Modern Living of the preceding year. Mr. Yuen Moon Chee ceased to be a shareholder of Modern Living after the share transfer.
3 October 2016	Ms. Szeto Shuk Yee and Ms. Tam	Ms. Szeto Shuk Yee sold 400,000 shares of Modern Living to Ms. Tam, which represented 1.91% of the then issued share capital of Modern Living, at a consideration of HK\$968,800 with reference to the net asset value of Modern Living of the preceding year. Ms. Szeto Shuk Yee ceased to be a shareholder of Modern Living after the share transfer.

Upon completion of the above share transfers on 3 December 2015 and 3 October 2016, the shareholding structure of Modern Living was as follows:

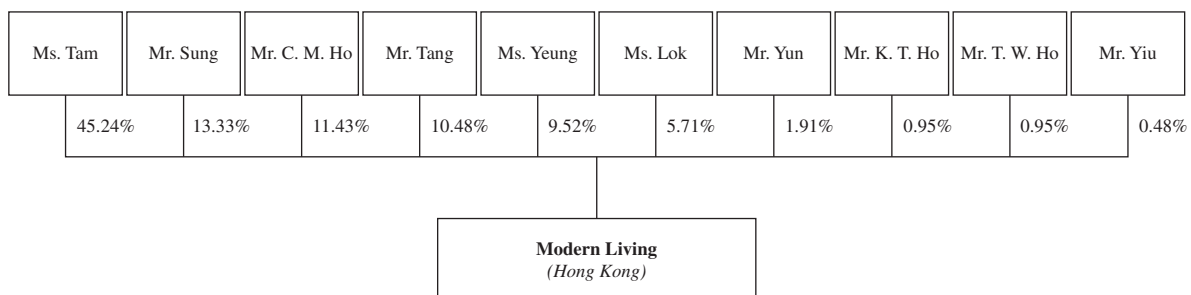
Name of shareholder	Identity of shareholder	No. of shares held by the shareholder	Percentage of shareholdings
Ms. Tam	Spouse of Mr. Ng	9,500,000 shares	45.24%
Mr. Sung	Mr. Sung was introduced by Ms. Tam, Mr. Ng Fuk Wah and Mr. C. M. Ho to assist Modern Living in enhancing accounting and internal control systems	2,800,000 shares	13.33%
Mr. C. M. Ho	Assistant general manager of Modern Living	2,400,000 shares	11.43%

## HISTORY, REORGANISATION AND GROUP STRUCTURE

Name of shareholder	Identity of shareholder	No. of shares held by the shareholder	Percentage of shareholdings
Mr. Tang	Shareholder of Modern Living since 2001 and director of Modern Living, primarily responsible for the maintenance management of the public estates	2,200,000 shares	10.48%
Ms. Yeung	Investor	2,000,000 shares	9.52%
Ms. Lok	Employee of Modern Living	1,200,000 shares	5.71%
Mr. Yun	Director of Modern Living, responsible for overseeing estate management	400,000 shares	1.91%
Mr. T. W. Ho	Founding shareholder and employee of Modern Living	200,000 shares	0.95%
Mr. K. T. Ho	Employee of Modern Living	200,000 shares	0.95%
Mr. Yiu	Shareholder of Modern Living since 2001 and director of Modern Living, responsible for managing building works	100,000 shares	0.48%
		<u>21,000,000 shares</u>	<u>100.00%</u>

### SHAREHOLDING STRUCTURE OF OUR COMPANY

The following diagram illustrates the shareholding and corporate structure of our Group immediately before the Reorganisation:



## HISTORY, REORGANISATION AND GROUP STRUCTURE

### REORGANISATION

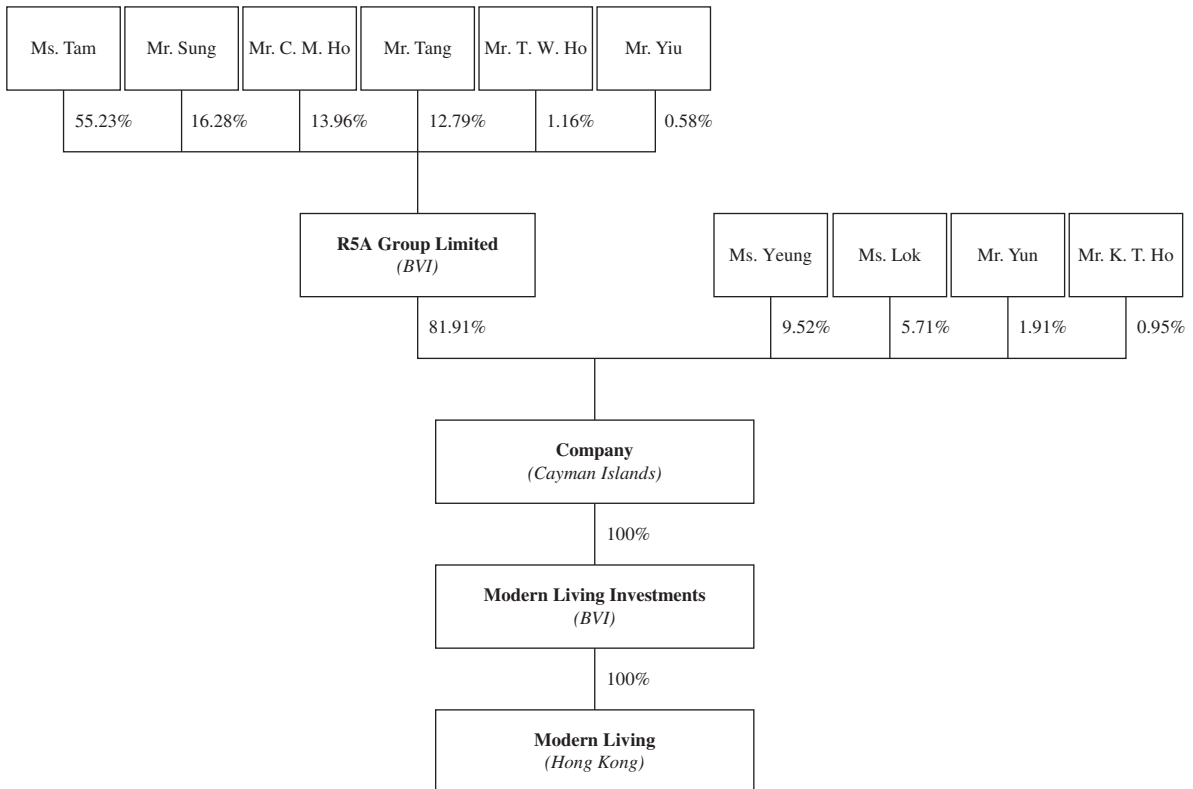
In preparation for the Listing, our Company was incorporated in the Cayman Islands and our Group has undergone a group reorganisation to rationalise our Group structure. The Reorganisation involved the following steps:

- (a) On 23 June 2017, R5A Group Limited was incorporated in BVI with limited liability, R5A Group Limited is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00, of which one share was allotted and issued as fully paid to Mr. Sung at par on the date of incorporation. On 6 July 2017, 950 shares, 279 shares, 240 shares, 220 shares, 20 shares and 10 shares of R5A Group Limited were allotted and issued as fully paid to Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu at par, respectively. R5A Group Limited was set up to be a corporate shareholder of our Company.
- (b) On 26 June 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its 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 nominee subscriber at par. On 26 June 2017, the one share held by the initial nominee subscriber was transferred to R5A Group Limited.
- (c) On 27 June 2017, Modern Living Investments was incorporated in BVI with limited liability. Modern Living Investments is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00, of which one share was allotted and issued as fully paid to our Company at par. Modern Living Investments was set up to be an intermediate holding company and held the entire issued share capital of Modern Living.
- (d) On 10 July 2017, our Company allotted and issued 1,719 Shares, 200 Shares, 120 Shares, 40 Shares and 20 Shares (all credited as fully paid) to R5A Group Limited, Ms. Yeung, Ms. Lok, Mr. Yun and Mr. K. T. Ho respectively, in consideration of Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Ms. Yeung, Mr. T. W. Ho, Mr. Yiu, Ms. Lok, Mr. Yun and Mr. K. T. Ho transferring the entire issued share capital in Modern Living to Modern Living Investments pursuant to an agreement entered into between Modern Living Investments (as purchaser), Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Ms. Yeung, Mr. T. W. Ho, Mr. Yiu, Ms. Lok, Mr. Yun and Mr. K. T. Ho (collectively as vendors), R5A Group Limited and our Company dated 10 July 2017.

## HISTORY, REORGANISATION AND GROUP STRUCTURE

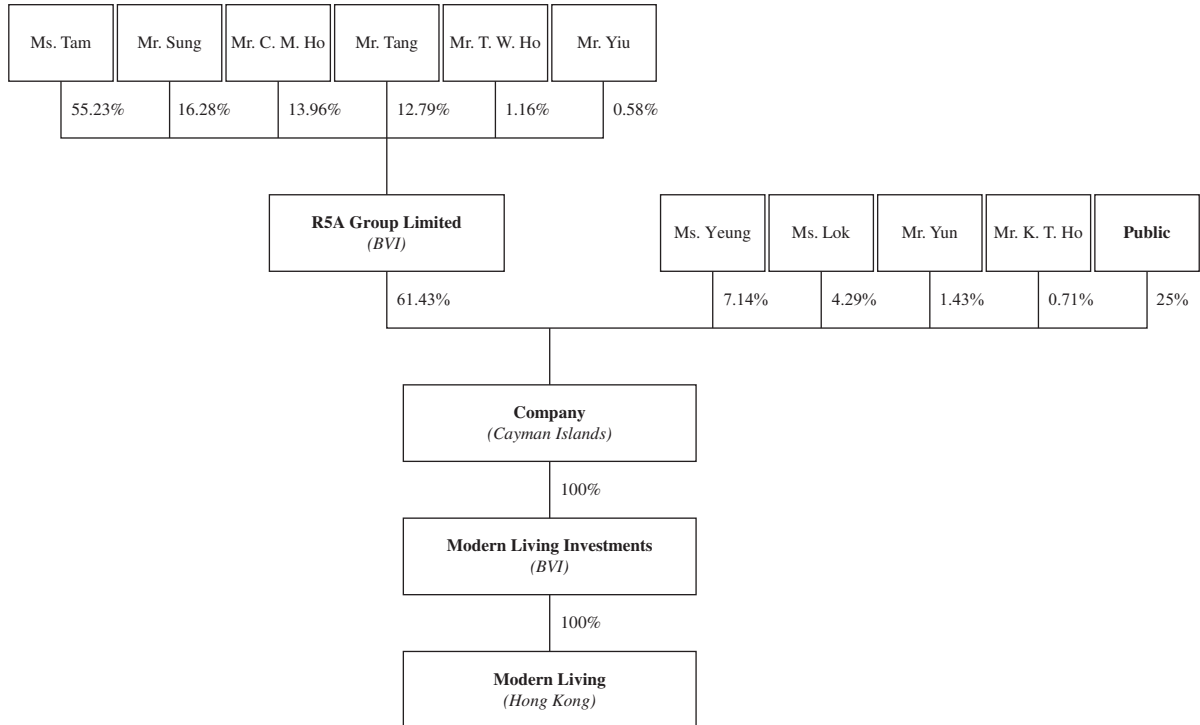
The Reorganisation setting out above has been properly and legally completed in compliance with all relevant laws and regulations as at the Latest Practicable Date.

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



## HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram illustrates the shareholding and corporate structure of our Company immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme):



## BUSINESS

### OVERVIEW

We provide property management services in Hong Kong, with a primary focus on public housing. During the Track Record Period, the Housing Authority was our single largest customer and contributed to almost 100% of our total revenue. Our property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repair and maintenance as well as project management services), (ii) security services and (iii) cleaning services. As at the Latest Practicable Date, we provided property management services to 28 public estates. We also provided stand-alone cleaning services and security services to two public estates, respectively. According to the Frost & Sullivan Report, we were the second largest property management service provider for public housing in Hong Kong in 2016, with a market share of 7.9% in terms of revenue.

The Housing Authority adopted a policy to place WCL on every PSA (including Modern Living, our major operating subsidiary). A PSA would not be eligible for tendering for additional property management service contracts from the Housing Authority if its workload exceeds the WCL. As at the Latest Practicable Date, we took up 69,428 effective units, representing approximately 77.8% of the maximum 89,250 effective units, being the WCL of 85,000 effective units plus 5% allowance. Therefore, our growth of business will be limited by such WCL. For the risk involved, please refer to the paragraph headed “Risk Factors — Our future growth will be affected if we are unable to utilise or raise our tender limits or diversify our customer base” in this prospectus.

We commenced our business in 2002 in light of the Government policy of increasing private sector involvement in public estate management since 2000. We were first awarded a property management service contract by the Housing Authority and started to provide the services to a PRH estate with 6,192 residential units in 2002. Over the years, we gradually expanded our operations. As at the Latest Practicable Date, we had approximately 2,270 employees and provided property management services to 28 public estates with approximately 80,600 residential units.

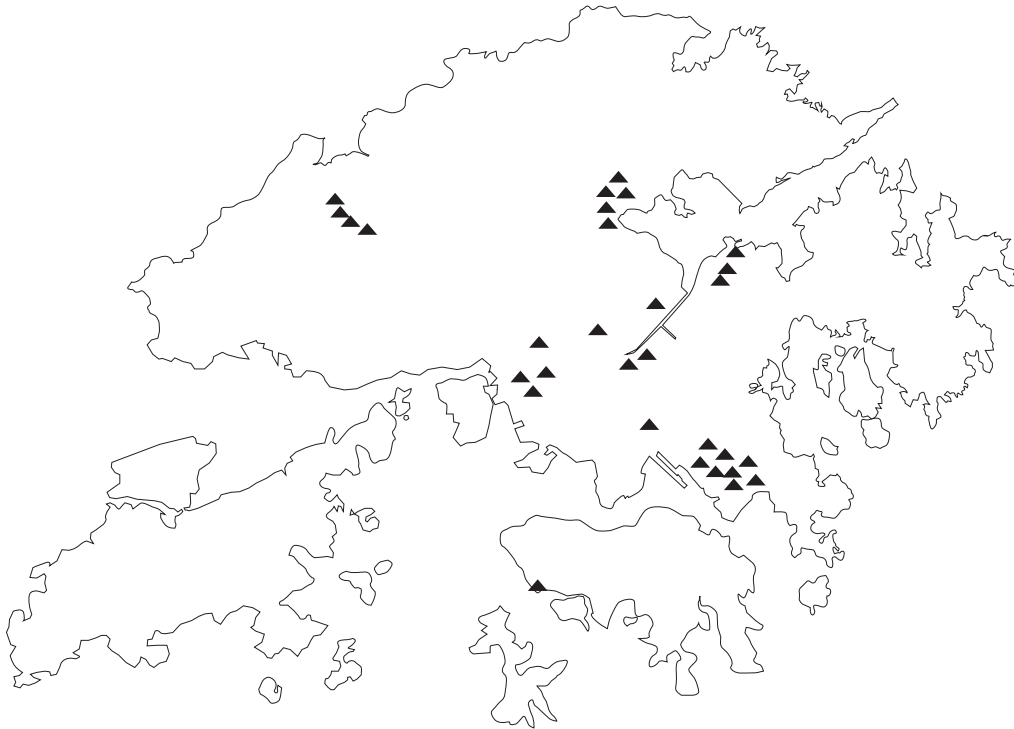
Our in-house professional team includes housing managers, surveyors, building services engineers, architects, electrical engineers, structural engineer, mechanical engineers and certified public accountants. Their substantial experience in property management and diversified expertise account for the quality services we provide. In the past five years, we ranked among the top three PSAs in terms of our quarterly ratings in the PSAs Performance Assessment System of the Housing Authority. In recognition of our service quality, we also received many awards, including the Estate Management Services Contractors Awards 2016 — Best Property Services Agent (Public Rental Housing) — Silver Award, which was awarded by the Housing Authority. For details, please refer to the paragraph headed “Awards and recognitions” below.

We hire and manage our own staff in providing our property management services. We may also subcontract some of our works to subcontractors. For FY2015 and FY2016 (up to September 2016), we engaged Ying Wah, a cleaning service subcontractor, to carry out the cleaning services to some of the estates we managed. In September 2016, we ceased such cleaning subcontracting arrangement and since then we have carried out all the cleaning services by ourselves. In the future, we may still consider to subcontract some of our works to other service providers in order to increase our capacity and operational flexibility.



## BUSINESS

As at the Latest Practicable Date, we provided property management services to 28 public estates, with a total site area of approximately 1.8 million sq.m. The geographical distribution of the estates managed by us as at the Latest Practicable Date is shown in the following map of Hong Kong:



▲ denotes the location of the estates to which we provided our services as at the Latest Practicable Date

For FY2015, FY2016 and 4M2017, we generated revenue of approximately HK\$303.6 million, HK\$344.5 million and HK\$116.7 million, respectively, and recorded a net profit of approximately HK\$2.1 million, HK\$13.3 million and HK\$2.9 million, respectively.

Our property management service contracts with the Housing Authority generally have an initial term of three years and an extendable term of two years. Our stand-alone cleaning service contract and stand-alone security service contract have an initial term of two years subject to two extensions, each with a further term of two years. One of our existing property management service contracts in respect of three public estates will have its extendable term expired by 31 December 2018 and two of our existing property management service contracts in respect of eight public estates will have their initial terms expired in 2018 (with extension not yet granted as at the Latest Practicable Date). We also have three existing property management service contracts (one for PRH estates and two for HOS estates) in respect of four public estates with no extendable terms, and will have their contract terms expired in 2019 or 2020. Apart from these six property management service contracts, our other property management service contracts on hands as at the Latest Practicable Date in respect of 13 public estates will have their extendable terms expired in 2019 or 2020. Our stand-alone cleaning service contract has been extended twice and will have its extendable term expired by 31 October 2019, and our stand-alone security service contract has been extended once to 30 June 2018, which is capable to be extended one more time under the terms of the existing contract.

## BUSINESS

The table below summarises the value of contracts that we are contracted to provide services to public estates (property management services, stand-alone cleaning services and stand-alone security services) during the Track Record Period and up to the Latest Practicable Date:

Contract value range (HK'000)	Number of contracts per range	Number of estates under the relevant contracts
Under 50,000	Four	Four
50,000–100,000	Two	Five
100,001–150,000	One	Five
150,001–200,000	Two	Five
200,001–250,000	Two	11

During the Track Record Period and up to the Latest Practicable Date, we successfully obtained five new property management service contracts from the Housing Authority, covering 12 public estates. Out of these 12 public estates, six represented estates of which the relevant service contracts we were able to renew upon expiry of their extendable terms during the Track Record Period, and six represented new estates under our management.

The table below summarises the number of contracts for new public estates awarded to us by contract value range during the Track Record Period:

Contract value range (HK'000)	Number of contracts per range	Number of new contracted estates under the relevant contracts
Under 50,000	Two	Two <sup>(note 1)</sup>
50,000–100,000	Nil	Nil
100,001–150,000	One	Two <sup>(note 2)</sup>
150,001–200,000	Two	Two <sup>(note 2)</sup>

*Notes:*

1. We obtained two new contracted HOS estates in FY2016, but only commenced our services to these two HOS estates in May and June 2017, respectively.
2. We obtained four new contracted estates in FY2015. We commenced to provide our services to two of them during FY2015 but only commenced to provide our services to the remaining two estates on 1 January 2016 (i.e. FY2016).

We also extended four property management service contracts in respect of 16 public estates, which represent all of our then existing service contracts with initial terms expired during the Track Record Period and up to the Latest Practicable Date.

## **COMPETITIVE STRENGTHS**

We believe that our success and potential for future growth are attributable to the following competitive strengths:

### **We are one of the leading property management service providers for public housing in Hong Kong**

We are one of the leading property management service providers for public housing in Hong Kong. According to the Frost & Sullivan Report, we were the second largest property management service provider for public housing in Hong Kong in 2016, with a market share of 7.9% in terms of revenue. In the past five years, we ranked among the top three PSAs in terms of our quarterly ratings in the PSAs Performance Assessment System of the Housing Authority. In addition, in recognition of our service quality, we also received many awards, including the Estate Management Services Contractors Awards 2016 — Best Property Services Agent (Public Rental Housing) — Silver Award, which was awarded by the Housing Authority. For details, please refer to the paragraph headed “Awards and recognitions” below.

Apart from our status of being one of the approved PSA, security and cleaning service contractors on the HA Lists, the Housing Authority and our other potential customers usually look for experienced and reliable property managers with abundant operational resources and good service quality. We believe our leading market position would afford our customers confidence in our operational capabilities. In particular, the tender evaluation system of service contracts adopted by the Housing Authority attaches considerable weight to non-financial considerations such as quarterly ratings in its PSAs Performance Assessment System and service quality. As such, the Housing Authority may award service contracts to us at higher bidding prices than those offered by our competitors if our non-financial considerations outweigh those of our competitors. In such case, we would in turn have more financial resources to maintain our service quality and further enhance our competitiveness.

### **We have a long and established business relationship with the Housing Authority**

Since the commencement of our business in 2002, we have accumulated more than 15 years of experience in providing property management services to the Housing Authority. We have acquainted with the requirements and procedures of property management services laid down by the Housing Authority. We believe that our status on the HA Lists and our stable business relationship with the Housing Authority signify our position as a reliable partner catering for its service needs and the mutual and complementary reliance between us. During the Track Record Period, we successfully obtained five new property management service contracts from the Housing Authority and extended all of our existing service contracts with initial terms expired.

A proven track record is one of the key factors which property owners, including the Housing Authority, take into account when evaluating tenders for new service contracts. In particular, under the tender evaluation system of service contracts adopted by the Housing Authority, past track record accounts for a significant proportion of the total score. Our long and established business relationship with the Housing Authority therefore plays an important part in tendering as it differentiates us from other competitors with lesser track record and/or shorter operational history.

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Our property management service contracts with the Housing Authority generally provide for service fee on a lump sum basis and have an initial term of three years, subject to an extension of further two years. As we are familiar with the requirements and procedures of property management services laid down by the Housing Authority, we are able to provide a more accurate cost estimate when we submit tenders for new contracts and manage different public estates more efficiently with sufficient level of resources.

### **Our in-house professional team with diversified expertise enables us to provide multi-disciplinary property management solutions to our customers**

As at the Latest Practicable Date, we had approximately 2,270 employees, including employees who possess of professional qualifications such as members of the Chartered Institute of Housing, members of the Hong Kong Institute of Housing, architects, surveyors, structural engineer, mechanical engineers, building services engineers, electrical engineers and certified public accountants. With our in-house professional team with diversified expertise, we are able to provide multi-disciplinary property management solutions to our customers, covering general management, tenancy management, financial management, security, cleaning, minor repair and maintenance as well as project management services. We can serve the different needs of our customers by our diversified expertise of property management services.

In addition to the conventional services performed by property management service providers, our management team with diversified expertise is also able to provide overall project management and supervision of major repair and maintenance projects. We are able to charge additional management fee for rendering such project management service in addition to our regular property management fee.

Our Directors believe that with our in-house professional team, we are in a better position to deliver prompt and reliable services to our customers and effectively control our service quality. In addition, we are able to accumulate experience while rendering services to our customers, which further enhances our competitiveness in the long run. We believe that these services represent effective multi-disciplinary solutions to our customers, distinguishing us from some of our competitors.

### **We have a well-qualified and experienced management team with a proven track record**

Our management team is well-qualified and experienced in the property management service industry in Hong Kong. Our Group is led by Mr. C. M. Ho and Mr. Ng. Mr. C. M. Ho is our chairman and executive Director, who has over 24 years of experience in the property management and maintenance industries in Hong Kong and is a professional associate of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr. Ng, our executive Director, has over 23 years of experience in the property management industry and is a certified public accountant and a member of the Hong Kong Institute of Housing. All of our other executive Directors have more than 10 years of experience in the property management industry in Hong Kong. Further details of the qualifications and experience of our Directors and senior management are set out in the section headed “Directors, Senior Management and Staff” in this prospectus.

## **BUSINESS STRATEGIES**

We were the second largest property management service provider for public housing in terms of revenue in Hong Kong in 2016 according to the Frost & Sullivan Report. We will continue to leverage our experience and track record in the provision of property management services for public housing in Hong Kong and to consolidate our leading position and expand our service capacity in public housing. We will also seek opportunities from other government or public bodies and in the private sector in order to diversify our reliance on the Housing Authority. However, we foresee that the Housing Authority will remain as our single largest and most important customer in the near future. To achieve our goal, we intend to pursue the following principal strategies:

### **Continue to expand our service capacity in public housing**

As at the Latest Practicable Date, we provided property management services to 28 public estates, which included approximately 80,600 residential units, as well as stand-alone cleaning services and security services to two public estates, respectively.

We can undertake to manage effective units up to the WCL of 85,000 effective units plus 5% allowance in excess of the WCL. In other words, the maximum total number of effective units which we can undertake is 89,250 effective units. As at the Latest Practicable Date, we took up 69,428 effective units, representing 77.8% of the maximum 89,250 effective units, being the WCL of 85,000 effective units plus the 5% allowance. As such, we can further tender for and undertake additional property management service contracts with up to 19,822 effective units. According to the Housing Authority's plan, there will be three property management service contracts of approximately 27,000 PRH units open for re-tender in 2018 as well as five new estates of approximately 12,000 PRH units to be completed in 2018 and early 2019 with the property management service contracts open for tender in 2018. In other words, there will be property management service contracts covering a total of approximately 39,000 PRH units open for tender in 2018. We therefore intend to tender for additional property management service contracts from the Housing Authority to fully utilise the remaining effective units of 19,822 under the WCL for PRH. In particular, out of the property management service contracts which will be open for tender in 2018, we are keen to pursue opportunities in respect of two property management service contracts. In addition to property management service contracts, we intend to tender for four additional stand-alone service contracts from the Housing Authority as we are still able to take up additional units as a Band IIA security service contractor and a Band IIA cleansing service contractor of the HA List within the respective workload capping limit of 23,000 units. As at the Latest Practicable Date, we provided stand-alone security services to 4,801 units and stand-alone cleaning services to 3,170 units. As such, we still have the capacity to take up the services in respect of the four intended stand-alone service contracts from the Housing Authority in 2018. Our Directors believe that we have a reasonable good chance of securing additional property management service contracts and additional stand-alone service contracts from the Housing Authority because according to the HA Guide, only the better-performed PSAs will be invited to express interest for the submission of tenders. In the past five years, we ranked among the top three PSAs in terms of our quarterly ratings in the PSAs Performance Assessment System of the Housing Authority. Our Directors believe that the high performance score of our Group places us in an advantageous position when bidding for the Housing Authority's tenders, as the Housing Authority also evaluates tenders based on non-financial considerations such as past performance. Please refer to the paragraph headed "Customers — Tendering process for new service contracts — Tendering process for public housing sector" in this section for further information.

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Under the HA Guide, to maintain and to qualify to remain on the HA List of PSAs, all PSAs are required to at least retain working capital equivalent to (i) two months' contract sum of all the Housing Authority property management service contracts and (ii) one month's contract sum of all other service contracts undertaken by the PSA, including service contracts awarded by the Housing Authority, other government department and the private sector on an aggregate basis as well as all tenders under consideration by the Housing Authority. Therefore, we will require extra working capital when undertaking additional service contracts with the Housing Authority.

In addition, we are required to provide performance bond issued by a Hong Kong licenced bank of an amount equivalent to two months' contract sum of all the Housing Authority property management service contracts undertaken by us as security. Under the current terms of our performance bond, the bank would require us to deposit cash of approximately 40% to 60% of the total value of the performance bond as collateral (such percentage may be subject to change in the future according to negotiation between us and our bankers). In other words, we will be required to employ additional capital to be deposited to the bank as collateral when tendering for more service contracts from the Housing Authority.

As we intend to tender for additional property management service contracts from the Housing Authority in 2018, to satisfy the additional working capital requirement of the Housing Authority and additional cash to be deposited as collateral of the performance bond when tendering for new property management service contracts, we plan to allocate approximately 58.0% (or approximately HK\$25.8 million) of the net proceeds from the Share Offer (based on the Offer Price of HK\$0.34 per Offer Share, being the midpoint of the indicative Offer Price range of HK\$0.30 to HK\$0.38 per Offer Share), as follows:

- approximately HK\$15.2 million, being additional working capital equivalent to estimated two months' contract sum of the two intended property management service contracts;
- approximately HK\$10.1 million, being the proposed cash deposit collateral to secure the estimated performance bond of approximately HK\$16.8 million to be issued by our bank to the Housing Authority for tendering the two intended property management service contracts; and
- approximately HK\$0.5 million, being the estimated capital expenditure, such as purchase of furniture and office equipment, if we are awarded with the two intended property management service contracts.

In addition, we intend to tender for additional stand-alone cleaning or security service contracts from the Housing Authority. We plan to allocate approximately HK\$11.2 million (representing approximately 25.2% of the net proceeds from the Share Offer) (based on the Offer Price of HK\$0.34 per Offer Share, being the midpoint of the indicative Offer Price range of HK\$0.30 to HK\$0.38 per Offer Share), as follows:

- approximately HK\$7.7 million, being additional working capital equivalent to estimated two months' contract sum of four intended stand-alone cleaning or security service contracts; and

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- approximately HK\$3.5 million, being the proposed cash deposit collateral to secure the estimated performance bond of approximately HK\$8.6 million to be issued by our bank to the Housing Authority for tendering the four intended stand-alone cleaning or security service contracts.

In the event that we are unable to obtain the two additional property management service contracts and the four additional stand-alone cleaning or security service contracts as intended, our Directors believe that with the proceeds from the Share Offer, we will be able to obtain other service contracts from the Housing Authority for the implementation of our future plans and use of proceeds. In such case, we will apply the proceeds from the Share Offer in a similar manner as discussed in paragraph headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus for satisfying the cash collateral and working capital requirements associated with undertaking the additional service contracts to be obtained by us.

### **Expand and diversify our business and customer base**

During the Track Record Period, we successfully obtained two property management service contracts in respect of two HOS estates. According to the website of the Housing Authority, from the fiscal year of 2016/17 to 2020/21, it is expected that there will be 21,000 public subsidised sale units (including HOS units) to be built. As there will be an increasing number of HOS units being built, we plan to expand our business by tendering for more property management service contracts for HOS estates. With our long and established relationship with the Housing Authority, we believe we enjoy competitive advantage in tendering for these property management service contracts and we can take part in the future growth in the number of HOS units being built. In addition, as the overall management of HOS estates would be transferred from the Housing Authority to the incorporated owners of the HOS estates upon expiry of the two years’ contract term, we will be in a more advantageous position to renew the existing property management service contracts with the newly incorporated owners of those HOS estates if we have already been managing the estate under the existing contract. As contracts involving property management of HOS estates are not subject to WCL, we will be able to tender for property management service contracts for HOS estates without the limitation of WCL.

We intend to tender for stand-alone security contracts for HOS estates in order to strengthen our market position in HOS estates. We believe obtaining the stand-alone contracts of these HOS estates will give us an advantage in securing the property management service contracts of these HOS estates should they become available for tender in the future.

We also consider expanding our customer base to other Government or public bodies such as schools, Government offices and public leisure facilities as well as private residential and industrial properties, as we had been invited by different property owners to tender for service contracts in the past. Since our Group is on the HA List of PSAs, we are eligible to tender for Government contracts. Moreover, similar to HOS estates, the limitation of WCL will not apply to contracts involving property management of public facilities or private residential or industrial properties, which means that we will have greater flexibility in undertaking property management service contracts for these properties.

As mentioned above, all PSAs are required to, among others, at least retain working capital equivalent to one month’s contract sum of all service contracts undertaken by the PSA on an aggregate basis. Although we will not be required to secure performance bond for service contracts involving HOS estates with incorporated owners, other Government or public bodies or private sector, we are still



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required to secure performance bond for service contracts involving HOS estates with the Housing Authority (i.e. before the property management is transferred to incorporated owners) and retain additional working capital when undertaking any additional service contracts under the HA Guide. Therefore, we plan to allocate approximately 13.5% (or approximately HK\$6.0 million) of the net proceeds from the Share Offer (based on the Offer Price of HK\$0.34 per Offer Share, being the midpoint of the indicative Offer Price range of HK\$0.30 to HK\$0.38 per Offer Share) to undertake these potential service contracts.

### **Continue to increase operational efficiency and enhance the quality of services**

We pride ourselves for the quality of services we provide to the residents and occupiers of the estates managed by us. We maintain our in-house professional team including housing managers, building surveyors, building services engineers, architects, electrical engineers, structural engineer, mechanical engineers and certified public accountants, whose substantial experience in property management and diversified expertise account for the quality services we provide. To maintain the level of service quality and to keep pace with our expansion plan, we will recruit sufficient professional staff to support our expanding property management services. We plan to use internally generated fund to satisfy the recruitment plan.

The property management industry is labour-intensive and as at the Latest Practicable Date, we had approximately 2,270 employees. We therefore consider that it is essential from the management standpoint to have an instant and effective communication channel between the management and our staff members stationed and working in the estates as well as among the staff members themselves. We plan to employ an external consultant to develop our own mobile application, which provides an “intranet” platform for our staff. The mobile application will allow our management to monitor and have real-time communication with staff working at the estates based on the prevailing circumstances, and allow our staff to make instant report to the management or their supervisors for immediate attention and supervision. Our Directors believe that such mobile application can allow us to improve our overall management efficiency, such as to deal with emergency situations more effectively and enable a more efficient deployment of human resources, which will in turn enhance our quality of services. To support the mobile application, we will also need to upgrade our computer systems and our information technology infrastructure.

To implement our plan to develop a mobile application and to upgrade our information technology infrastructure, we plan to allocate approximately 1.8% (or approximately HK\$0.8 million) of the net proceeds from the Share Offer (based on the Offer Price of HK\$0.34 per Offer Share, being the midpoint of the indicative Offer Price range of HK\$0.30 to HK\$0.38 per Offer Share).

### **BUSINESS AND OPERATION**

We provide property management services in Hong Kong, with a primary focus on public housing. During the Track Record Period, the Housing Authority was our single largest customer and contributed to almost 100% of our total revenue. Our property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repair and maintenance as well as project management services), (ii) security services and (iii) cleaning services. As at the Latest Practicable Date, we provided property management services to 28 public estates. We also provide stand-alone cleaning services and security services to two public estates, respectively.



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We employ our own security and cleaning staff to provide security and cleaning services. We also employ a team of qualified engineers and registered technicians to provide basic repair and maintenance services to our customers. For major maintenance and repair works, we act as a project manager to invite tenders from external contractors or consultants and supervise the works of the external contractors or consultants on behalf of our customers.

### **Estates managed by us**

As at the Latest Practicable Date, we provided property management services to 28 public estates, comprising 19 PRH estates, six TPS-PR estates, one BRO-PR estate and two HOS estates, including approximately 80,600 residential units. We also provided stand-alone cleaning services and security services to two PRH estates, respectively. In providing our property management services to public estates, we also manage the ancillary non-domestic units, commercial units and parking lots within the estates (other than the divested estates where retail facilities and carparks were sold to Link REIT by the Housing Authority).

Public housing in Hong Kong is mainly built by the Housing Authority and the Housing Society of Hong Kong. Public housing in Hong Kong provides affordable housing for lower-income residents as the rents of public housing are significantly lower than those of private housing and are substantially subsidised by the Government. Public housing is a major component of housing in Hong Kong with nearly half of the population in Hong Kong residing in public housing and is built across the territories in Hong Kong. The Housing Authority also introduced various subsidised home ownership schemes, including HOS and TPS, which provide alternatives for PRH tenants to purchase their own homes.

As at 31 December 2015, 31 December 2016 and 30 April 2017, excluding two HOS estates, we were contracted to provide property management services to 26 public estates, with 79,761, 79,861 and 79,705 residential units, respectively. The decrease in the number of residential units managed by us during the Track Record Period is due to the Housing Authority selling the units to tenants under the TPS from time to time. As our service fee under the contracts with the Housing Authority are of lump sum basis, the decrease in number of domestic units managed by us would have no impact on our total service fee charged during the Track Record Period.

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The following table sets out the number of public housing estates that our Group was contracted to provide services as at the Latest Practicable Date:

Name of estate	Nature of services (Note 1)	Contract awarded date	Service commence- ment date of contract	Contract expiry date (Note 2)	Extendable term expiry date (granted)	Contract value by estate HK\$'000 (Note 3)	Number of units in the estate as at the Latest Practicable Date
1. Tai Yuen (PRH) (Note 5)	(a)	26 October 2015	1 January 2016	31 December 2018	Not yet granted	80,506	4,872
2. Po Heung (PRH) (Note 4)	(a)					17,391	483
3. Fu Shin (TPS-PR) (Note 5)	(a)					9,810	2,001
4. Fu Heng (TPS-PR) (Note 4)	(a)					11,514	1,548
5. Wan Tau Tong (TPS-PR) (Note 5)	(a)					7,254	556
6. Tin Yiu I (PRH) (Note 5)	(a)	20 May 2015	1 July 2015	30 June 2018	Not yet granted	66,160	4,655
7. Tin Yiu II (PRH) (Note 5)	(a)					55,601	3,823
8. Shui Pin Wai (PRH) (Note 5)	(a)					39,970	2,394
9. Lee On (PRH)	(a)	17 October 2013	1 January 2014	31 December 2016	31 December 2018	44,927	3,632
10. Heng On (TPS-PR)	(a)					4,706	721
11. Yiu On (TPS-PR)	(a)					2,703	854
12. Kwai Fong (PRH)	(a)					87,342	6,355
13. Shek Lei (I) (PRH)	(a)	17 April 2014	1 July 2014	30 June 2017	30 June 2019	73,659	4,930
14. Lai Yiu (PRH)	(a)					45,826	2,843
15. Shek Yam (PRH)	(a)					35,555	2,671
16. Ping Tin (PRH)	(a)					73,574	5,669
17. On Tin (PRH)	(a)					16,152	720
18. Kai Tin (PRH)	(a)	17 April 2014	1 July 2014	30 June 2017	30 June 2019	33,850	2,305
19. Wan Hon (PRH)	(a)					18,193	1,003
20. Ko Cheung (PRH)	(a)					6,093	1,800
21. Tsui Ping (South) (PRH)	(a)					56,106	4,914
22. Tsui Ping (North) (TPS-PR)	(a)					14,291	3,096

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Name of estate	Nature of services <i>(Note 1)</i>	Contract awarded date	Service commencement date of contract	Contract expiry date <i>(Note 2)</i>	Extendable term expiry date <i>(granted)</i>	Contract value by estate <i>HK\$'000</i> <i>(Note 3)</i>	Number of units in the estate as at the Latest Practicable Date
23. Kin Ming (PRH)	(a)	21 August 2014	1 October 2014	30 September 2017	30 September 2019	82,574	7,018
24. Choi Ming (BRO-PR)	(a)					8,696	2,797
25. Sun Tin Wai (PRH) <i>(Note 4)</i>	(a)	15 January 2015	1 March 2015	31 March 2020	N/A	75,380	3,421
26. Lung Hang (PRH) <i>(Note 4)</i>	(a)					79,254	4,377
27. King Tai Court (HOS) <i>(Note 4)</i>	(a)	31 October 2016	16 June 2017	15 June 2019	N/A	9,913	857
28. Mei Pak Court (HOS) <i>(Note 4)</i>	(a)	31 October 2016	9 May 2017	8 May 2019	N/A	8,285	288
29. Wah Fu (I)	(b)	21 May 2014	1 July 2014	30 June 2016	30 June 2018	20,263	4,801
30. Tin Shui (II)	(c)	26 September 2013	1 November 2013	31 October 2015	31 October 2017 and 31 October 2019	6,316	3,170
<b>Total number of units as at the Latest Practicable Date</b>						<b>88,574</b>	<b>88,574</b>

*Notes:*

- Nature of services: (a) property management services; (b) stand-alone security services; and (c) stand-alone cleaning services.
- Save for Sun Tin Wai and Lung Hang estates (of which the contract period stipulated in the relevant property management service contract is 61 months with no express extendable term), for PRH, TPS-PR and BRO-PR estates, the contract period is an initial term of three years and an extendable term of two years; for HOS estate, the contract period is an initial term of two years with no extendable term. For stand-alone cleaning service and security service contracts, the contract period is an initial term of two years subject to two extensions, each with a further term of two years. The contract period of the relevant property management service contract for Sun Tin Wai and Lung Hang estates of 61 months (i.e. approximately five years) is comparable with the aggregated contract period of typical property management service contracts for PRH, TPS-PR and BRO-PR with extendable terms, taking into account the initial term of three years and an extendable term of two years thereunder.
- This represents the initial contract value when the respective service contract was awarded, and it does not take into account of the extendable terms under the respective service contracts and the adjustment mechanism for the service fee afterwards.
- Being the six new contracted estates our Group won during Track Record Period and up to the Latest Practicable Date.
- Being the six contracted estates our Group renewed upon expiry of their extendable term during the Track Record Period and up to the Latest Practicable Date.

## **SERVICES**

Depending on the types of services required under contracts, our services provided to our customers include estate management, security and cleaning services which are described in more details as follows:

### **Estate management services**

Our estate management services cover general management, tenancy management, financial management, minor repair and maintenance as well as project management services.

#### *General management services*

Our property management team is responsible for overseeing the daily management of the facilities in the estates managed by us. Our property and maintenance officers regularly inspect the facilities in the estates with a checklist of items to ensure the proper functioning of the building facilities. They are also responsible for overseeing the cleanliness of the estates, waste collection and disposal arrangements as well as the related facilities.

One of the important functions which our property management team performs is to handle emergency situations which pose threats to the safety to the lives and properties of the residents and occupiers. The types of emergency situations include extreme weather conditions such as typhoon and flooding, fire hazard, criminal activities committed in the estates and disruption to public utilities services. We, as a property manager, may take steps to resolve the situations by (i) inspecting and rectifying any minor defects and/or reporting for further follow-up and repair work to be conducted by designated contractors; (ii) carrying out customer services including notification and rendering related assistance, (iii) in case of emergency or accident, evacuating the residents or occupants and informing the police, Fire Services Department or other departments or utility companies, (iv) arranging technicians or relevant contractors to rectify the defects or to resume temporary supply of services, (v) fencing off the affected area and putting up warning notice, and (vi) maintaining order and crowd control. We may need to submit a report to our customers in respect of major accidents with evaluation on the follow-up actions to be taken.

#### *Tenancy management*

We provide tenancy management services to the Housing Authority for managing the tenants of PRH estates. Our tenancy management services include, in case of a new tenant taking up a flat, preparing the tenancy agreement, cleaning up the unit and handing over the vacant possession of the flat to the new tenant on behalf of the Housing Authority. We provide complaint and enquiry facilities in the estate management office and we maintain registers and records of the complaints received and the follow-up actions taken. We provide and maintain a 24-hour centralised control room with security guards on duty, which allows tenants and occupiers to make enquiries, lodge complaints or report to us any emergency case. We are responsible for handling the tenants' complaints and enquiries as to our services and their living environment including cleanliness of the estate and nuisance from neighbours.

We assist the Housing Authority in enforcing the terms and conditions of the tenancy agreement, including detecting and taking enforcement action against non-occupation, sub-letting, unauthorised occupants, unauthorised pets keeping, unauthorised alteration of the premises or change of user of the

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premises. We also assist the Housing Authority in administering the Marking Scheme. If we discover any breach of the tenancy agreement or the misdeed under the Marking Scheme by any resident, we will report and make recommendations on the appropriate enforcement actions to the Housing Authority. In case of serious or repeated breaches of the tenancy agreement or the misdeed under the Marking Scheme, we would prepare for the Housing Authority a notice to be served on the offending tenant and we could assist the Housing Authority in evicting the offending tenant upon receiving confirmation from the Housing Authority.

In addition, we assist the Housing Authority to manage tenancies by vetting applications of addition or removal of family members allowed to occupy the unit, assessing the tenant's qualifications to continue to occupy the unit by his/her family income, evaluating his/her eligibility for the size of the unit, assessing whether the tenants are entitled to any rental discount under the relevant Housing Authority's concessionary policies and promoting and explaining the relevant Housing Authority policies affecting the tenants and occupiers.

### *Financial management services*

We collect on behalf of the Housing Authority monthly payment of all rents, rates or other charges payable by the tenants or licensees. The rents or other charges we received are usually in cash and occasionally by cheques while we encourage the tenants or licensees to pay by electronic means. Upon collecting payment from tenants or licensees, we are required to pay the money received into a designated bank account directed by the Housing Authority every working day. As the amount of money collected may be substantial, we may arrange a specialist guard company to escort the money we received to the bank nearby. We are also responsible for paying the outgoings and expenses incurred by the estates and daily operation of the estate offices, including water, electricity and telephone expenses. As we receive rents and other charges from the tenants, we have guidelines on (i) cash and bank management and (ii) financial reporting and disclosure governing keeping of books and records for the money received or expenditure incurred.

For details on our internal control measures in relation to cash handling and prevention of misappropriation of cash by our employees, please refer to the paragraph headed "Internal control — Internal control measures on cash handling" in this section.

In addition to collecting rents, rates or other charges, we assist the Housing Authority in carrying out follow-up actions for arrears of rents, rates or other charges. If the rent payable is unpaid after the due date, we may remind the defaulting tenant or licensee to pay the outstanding sum. Should the rent or other charges are continued to be in default, we will make recommendations on the appropriate further actions to the Housing Authority.

We are also responsible for finance and budgetary control of the estates by drawing up annual budget of the estates with estimated operating expenses for the upcoming financial year. Our certified public accountants in our management team are in charge of the accounting and finance services. In addition, as a part of the financial management, we prepare for the Housing Authority daily income report recording money received and banked during the day, a money income report and a monthly rent reconciliation statement which summarises the rent collection status.

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In the divested retail and carpark facilities where a deed of mutual covenant (the “DMC”) was executed for PRH with estate common areas which are jointly owned by the Housing Authority and Link REIT, the Housing Authority would be the manager of the DMC and responsible for managing the estate common area and preparing a separate set of financial accounts for the estate common areas. In performing of our financial management services, we are responsible for the bookkeeping and providing accounting services to estate common areas as we will prepare the financial accounts for the estate common areas on behalf of the Housing Authority subject to regular audit and inspections by external auditors. The Housing Authority and Link REIT jointly contribute to the management fees of those estate common areas and funds will be deposited by them to a separate bank accounts opened and operated by us as the their trustee. Such separate bank accounts opened and operated by us are solely for the purpose of collecting management fees and making payment for outgoings and daily operation of the estate common areas while we only hold such funds in those separate bank accounts on trust although no trust deed was entered into between the Housing Authority and us. Those trust account are opened in the names of the relevant estate, such as “Modern Living Property Management Limited (or its abbreviation) as trustee for the name of the estate”. As at 31 December 2015 and 2016 and 30 April 2017, our Group held a total of approximately HK\$65.0 million, HK\$75.3 million and HK\$98.7 million, respectively in various trustee bank accounts on behalf of the Housing Authority.

### *Minor repair and maintenance services*

We undertake regular or minor repair and maintenance to ensure that the properties under our management are in a safe and good state of repair. Upon the commencement of our property management service contracts, we carry out surveys as to the conditions of estates, such as walls and floors, staircases, plumbing and drainage installations, estate roads, covered walkways and make reports of the defects or irregularities. We conduct technical inspections and annual appraisal of the status of the buildings. We also check if there are any unauthorised building works and/or building services works in the building and follow up with the residents to remove any such unauthorised works to their original condition if necessary.

Our technicians carry out necessary minor repair and building services and urgent building maintenance works as set out in the property management service contracts, which typically include clearing clogged drainage, adjusting hinges of gates, doors and windows, providing sandbags for temporary protection, fencing off and putting up warning signs to dangerous site, slope or defective equipment and sealing up or breaking in vacant flats. As at the Latest Practicable Date, we had approximately 170 employees who were mainly responsible for general repair and maintenance, out of which approximately 28 employees were registered electrical workers and one is a licensed plumber. For other maintenance or repair works such as lift and fire services system maintenance, they are performed by specialist contractors while we coordinate and assist in engaging such specialist contractors.

### *Project management services*

Except for minor repair and maintenance services mentioned above, we provide project management services when external contractors or consultants are engaged by our customers to carry out substantial repair or maintenance or building works. We have an in-house team of professionals comprising architects, building surveyors, structural engineer, mechanical engineers, building services engineers and an electrical engineer to provide professional consultancy services to our customers on the

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major building works. As at the Latest Practicable Date, we had 13 professional staff members who possessed of qualifications in relation to engineering and building services and two of them are authorised persons appointed under the Buildings Ordinance.

The usual types of works which are (i) repair, alteration, addition and improvement projects relating to electrical, water supply and fire services, air conditioning and mechanical ventilation, lifts and escalators and security alarm systems; and (ii) alteration and addition works to the existing buildings. The majority of contractors are engaged by the Housing Authority directly while the rest of the contractors are procured by us on its behalf. For procurement of contractors on behalf of the Housing Authority, we select the suitable contractor by way of invitation to tender from the approved list provided by the Housing Authority. As a project manager, we will convene a management meeting to consider the selection of contractor.

Our scope of work as a project manager includes (i) preparing plans, drawings and specifications, budget estimates, tender and contract documents, (ii) analysing the returned tenders and making appropriate recommendations, (iii) issuing works orders for execution of the works to the external contractors or consultants, (iv) supervising and monitoring the execution of the works, (v) inspecting the work quality and certifying completion and (vi) preparing and settling accounts for the fees payable to the contractor on behalf of the customers. We will also take follow-up actions if defects of works are discovered after completion of the building works within the defect liability period stated in the contract.

As the external contractors or consultants are engaged by the Housing Authority, the Housing Authority shall be responsible for settling the fee of the external subcontractors. Upon completion of the work done by the external contractors or consultants, we will be entitled to our project management fee which amounts to a certain percentage of the project contract sum, which is charged in addition to our fixed sum management fee.

### **Security services**

Our principal operating subsidiary, Modern Living, has been a holder of a security company licence issued by the Security and Guarding Services Industry Authority pursuant to the Security and Guarding Services Ordinance since 2002. As at the Latest Practicable Date, we have a team of approximately 1,200 security staff members to provide a wide range of security services to the estates under our management, who all possess the relevant security personnel permit issued by the Security and Guarding Services Industry Authority. Under our service contracts with the Housing Authority, we are required to deploy security guards to each block of building in the estates around the clock with at least one guard at its entry lobby.

Examples of our security services include regularly patrolling the common areas, roof top and public facilities, guarding the entrance lobby for access control, maintaining peace and order within the estates and stopping vandalism, preventing and expelling unauthorised entry of persons from the building, checking the normal functioning of all building services systems including lifts, electricity, water and fire fight equipment, monitoring the alarm systems, hawkers, obstruction, unauthorised activities as set out under the Marking Scheme, unauthorised parking and no smoking in the non-smoking areas. Our security guards also inspect, investigate and make follow-up records of the complaints lodged by residents and report disputes amongst residents.

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Apart from the daily security duties, in case of emergency situation, our security guards are required to attend and perform emergency duties as and when required such as reporting to the police or Fire Services Department and evacuating the residents. We also regularly liaise with the Fire Services Department and other relevant government departments to draw up evacuation plans. We carry out testing from time to time to ensure the proper functioning of the CCTV security system, emergency back-up electricity system, door lock system and firefighting equipment. In addition, in all of the estates we manage, we operate a 24-hour centralised security control room to attend to emergency situations, enquires or complaints lodged by residents or occupiers by phone or in person, to coordinate communication between security guards, to monitor their duty execution, to serve as the centre to communicate with our head office and to coordinate the tasks of security guards in case of emergency.

### **Cleaning services**

To maintain a clean and neat living environment for the residents of estates under our management, we offer different types of cleaning services. We carry out cleaning of common areas, commercial and related ancillary facilities, parking lots, roads, and other public areas within the estates in clean and sanitary condition, including the provision of door-to-door refuse collection services to the residential units, collecting and disposing of waste generated from commercial and related ancillary facilities, parking lots, estates roads, and other public area within the estates, removing abandoned articles in the common areas, cleaning and disinfecting common areas such as lifts, playground facilities, public furniture, fans and other facilities, carrying out inspection on the surface drainage systems and clearing clogged drains. We also perform mosquito, rodent and pest control in common areas. Frequency of cleaning and number of cleaning staff members required varies in different service contracts.

In addition to the cleaning services, we also assist in promoting recycling in the estates. For example, we provide recycling bins for different types of refuse in buildings, separate the recycling materials with household refuse, implement programmes or initiatives on promoting waste reduction and distribute garbage bags which are degradable to residential units.

As an ancillary part of our cleaning services, we are responsible for the overall landscaping and horticulture of the estates, including watering the plants regularly, cutting and maintaining all planted area in neat and tidy manner, carrying out improvement or replacement to keep the landscape vegetation in good condition and conducting regular inspection to the plants and trees in the estates.

During the Track Record Period, we subcontracted the cleaning service of eight estates to Ying Wah in FY2015, which reduced to five estates since January 2016 and further reduced to two estates since July 2016. Save for these estates, we provided the above cleaning services through our own staff. In September 2016, we ceased such cleaning subcontracting arrangement and since then we have carried out all the cleaning services by ourselves. For details of our subcontracting arrangement, please refer to the paragraph headed “Business — Suppliers” in this section. As at 31 December 2015, 2016 and 30 April 2017, we employed 430, 711 and 696 cleaning staff members.



## **CUSTOMERS**

Since inception, we have been focusing on providing our services to the Housing Authority and will continue to do so. During the Track Record Period, we have three customers, namely (i) the Housing Authority, (ii) the incorporated owners of one private residential property and (iii) the incorporated owners of one private industrial property. The Housing Authority is a statutory organisation tasked to develop and implement a public housing programme for achieving the Government's policy objectives on public housing. During the Track Record Period, the Housing Authority was our single largest and most important customer and the aggregate revenue attributable to the Housing Authority amounted to approximately HK\$302.8 million, HK\$342.4 million and HK\$116.7 million for FY2015, FY2016 and 4M2017, respectively, representing 99.7%, 99.4% and 100% of our total revenue, respectively.

To our Directors' best knowledge, none of our Directors, their respective close associates, or Shareholders who own more than 5% of our share capital, had any interest in any of our three customers during the Track Record Period.

### **Limits on the PSAs imposed by the Housing Authority**

The Housing Authority adopted a policy to place WCL on contractors of different fields to diversify the source of supply or services from each contractor as a risk management measure. A PSA would not be eligible for tendering for additional property management service contracts from the Housing Authority if its workload exceeds the WCL and the PSA would not be allowed to take up an additional property management service contract if the sum of its workload on hand and the effective units under the property management service contract to be tendered exceeds the total of the WCL plus 5% allowance.

The WCL is applicable to every PSA. With effect from August 2007, the Housing Authority set the WCL applicable to every PSA at 70,000 effective units. The WCL for property management service contracts of PRH to be tendered for on or after 1 December 2016 was increased from 70,000 to 85,000 effective units, with a 5% allowance in excess of WCL of 4,250 effective units for every PSA. In other words, the total maximum number of effective units which a PSA (including us) can undertake is 89,250. The number of effective units is calculated on the basis that the total number of units of PRH estates plus 25% of the total unsold units in TPS-PR estates and BRO-PR estates. Other than the increment of the WCL which took effect in December 2016, there has not been any increment of the WCL.

Modern Living, as one of the PSAs in the HA List of PSAs, is also subject to WCL. As at the Latest Practicable Date, Modern Living took up effective units of 69,428, representing approximately 77.8% of the maximum 89,250 effective units, being the WCL of 85,000 effective units plus 5% allowance. In other words, we can further undertake 19,822 effective units. If the number of effective units managed by us reaches the WCL, we will not be eligible for tendering for additional property management service contracts until the number of effective units managed by us is dropped below the WCL. For the risks involved with the WCL, please refer to the paragraph headed "Risk Factors — Our future growth will be affected if we are unable to utilise or raise our tender limits or diversify our customer base" in this prospectus.

Our Directors are of the view that with the increasing number of PRH units being built and taking into account of the historical upward adjustment of the WCL, the level of WCL may be increased in the future to allow PSAs to take up the property management services of newly built PRH units.

### **Reliance on the Housing Authority**

For FY2015, FY2016 and 4M2017, the Housing Authority is our single largest and most important customer which accounted for approximately 99.7%, 99.4% and 100% of our revenue, respectively. According to the Frost & Sullivan Report, reliance on the Housing Authority is a common market phenomenon for property management service providers to public housing. Over the years, we focused on the public sector and have gradually accumulated our experience, expertise and track record in providing property management services to public housing. According to the Frost & Sullivan Report, we were the second largest property management service provider for public housing in Hong Kong in 2016, with a market share of 7.9% in terms of the revenue. In addition, we won many awards and recognitions from the Housing Authority. For instance, in the “Estate Management Service Awards 2016” organised by the Housing Authority, Modern Living won five awards, including “Best Property Services Agent (Public Rental Housing) — Silver Award” and “Best Property Services Agent (Tenant Purchase Scheme)”. For details of our key awards, please refer to the paragraph headed “Awards and recognitions” below. Since the Housing Authority is the owner of the majority of the PRH in Hong Kong and since almost 100% of our revenue derived from management of public housing, our reliance on the Housing Authority is a market phenomenon and is expected to continue. Our Directors consider that we are capable of maintaining our business in the future due to the following key factors:

- (i) The demand for our property management services from the Housing Authority was steady during the Track Record Period. The Housing Authority has a rolling construction programme to achieve the public housing supply target. On 16 December 2014, the Government promulgated the Long Term Housing Strategy that more PRH flats are to be built to accommodate the rising population of Hong Kong. According to the Long Term Housing Strategy Annual Progress Report 2016 issued by the Government, about 73,200 PRH flats and 16,200 subsidised sale flats through HOS are to be built over the five years from the fiscal year of 2015/16. With the increasing number of PRH being completed in the future, our Directors are of the view that there will be increasing demand for the Housing Authority to outsource property management services of PRH to property management service providers, which is expected to benefit our business growth in the future.
- (ii) The Housing Authority is the largest public body which actively participates in the development and management of PRH. The Housing Authority is also the largest owner of public housing. According to the Frost & Sullivan Report, it is an industry norm that the Housing Authority, being the single or major customer of all 11 active PSAs (including Modern Living), contribute to a substantial portion of revenue to the 11 PSAs (including Modern Living) which have active property management service contracts with the Housing Authority.

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- (iii) We have a long-standing business relationship with the Housing Authority as our business relationship has continued for over 15 years. As at the Latest Practicable Date, we provided property management services to 28 public estates with over 80,600 residential units for the Housing Authority. We have gradually built up our property portfolio over the years, and we successfully obtained five property management service contracts from the Housing Authority, being three for PRH estates and two for HOS estates, and extended all our existing service contracts with the Housing Authority with initial terms expired during the Track Record Period.
- (iv) We believe the credit risk and the risk of liquidation of the Housing Authority is minimal as the Housing Authority is a government-funded statutory body. The Housing Authority settles our invoices on a monthly basis which further demonstrates that the Housing Authority and we have maintained a satisfactory and reliable business relationship.
- (v) Service contracts of the Housing Authority are normally awarded through tendering procedures while our Directors consider that our competitive strengths (in particular, our quality of services and high score under the tender evaluation system for service contracts adopted by the Housing Authority) as discussed in the paragraph headed “Competitive strengths” above in this section give us a competitive advantage when tendering for service contracts, which also make us more resilient to competition. In addition, the Housing Authority, as a public body, has established policy in tender selection and tender awarding procedure which serves to ensure every tenderer, including our Group, is treated objectively and fairly based on its established tender selection criteria. During the Track Record Period and up to the Latest Practicable Date, we successfully obtained five new property management service contracts from the Housing Authority and extended all of our existing service contracts with initial terms expired.
- (vi) To tender for property management service contracts of the Housing Authority, a contractor must be an approved contractor included in the HA List of PSAs and has fulfilled all the qualification requirements of the Housing Authority at the outset. According to the information available on the website of the Housing Authority as at the Latest Practicable Date, there were an aggregate of only 21 such approved Group PS2 contractors. Among these approved contractors, only 11 of them (including Modern Living) had active property management service contracts on hands with the Housing Authority. The financial, technical and management requirements for the application and retention on such list may provide a certain level of entry barriers against new entrants from entering the public housing property management market according to the Frost & Sullivan Report.

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- (vii) We are capable of providing property management services to private properties including residential and industrial buildings. During the Track Record Period, we provided property management services to the incorporated owners of a private residential property and an industrial property, respectively. In April and May 2016, in order to capture the opportunities to manage two HOS estates at that time, we ended our property management service contracts of the private residential property and industrial property, respectively. As we had limited resources, we terminated the two property management services contracts so as to allocate our resources strategically to the two HOS estates as we desired to tap into the HOS sector. We were not required to pay any compensation in connection with the termination of the two contracts. Our Directors believe that we have the requisite experience, capital, knowledge, business expertise and know-how to serve the property management market of the private sector.
- (viii) In addition to the Housing Authority, we have been receiving a number of invitations for tender from other governmental departments, public bodies as well as the private sector for property management projects from time to time. Our Directors believe that we will have the opportunities to undertake more projects from other governmental departments, public bodies or the private sector given our reputation and our status on the HA list of PSAs.

Our Directors are aware of the risk of our reliance on the Housing Authority. In this connection, it is our long term strategy that whilst we will continue to solidify our business relationship with the Housing Authority and to maintain our leading position in the public sector, we seek to undertake more property management service contracts from other Government or public bodies or the private sector when the appropriate opportunities arise. Our Directors would like to highlight that as our long term strategy will take time to execute and mature, we foresee that the Housing Authority will remain to be our single largest and most important customer in the near future.

### **Tendering process for new service contracts**

Service contracts in the public sector in Hong Kong are normally awarded by way of open tenders and invitation to tenders. For open tender, public invitations are published in newspapers and/or the Government Gazette and interested parties may submit their tenders. For invitations to tender, the invitations will be sent to the property management service providers shortlisted or selected by the institution. Whether service contracts are awarded by way of open tender or tender by invitation depends on the practice of different Government departments or public bodies. For service contracts offered by the Housing Authority, although tender notices are usually published in the Government Gazette, the common way of awarding tenders is by way of invitation since only the eligible contractors under the relevant HA List will be invited to submit tenders and several tenders will be grouped together in a batch and will usually be sent out on a quarterly basis or when required. The number of tenders that a contractor under the relevant HA List is eligible to submit depends on the number of tenders in a batch or quarter and its performance. For example, when there are one or two tenders in a single batch or quarter, only the better-performed contractors will be invited to express interest for the submission of tenders.

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### *Tendering process for public housing sector*

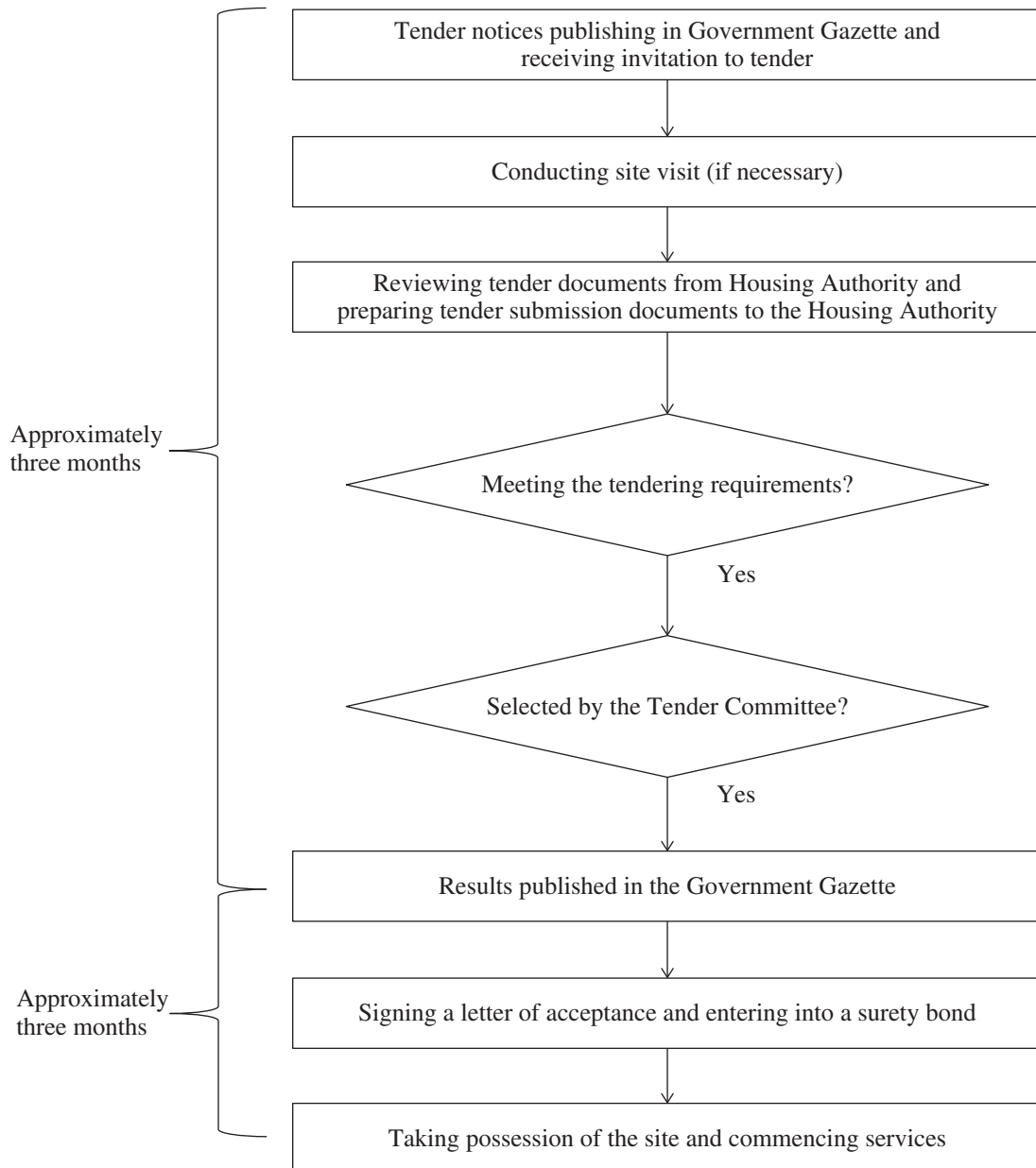
We are usually invited by the Housing Authority, our major customer, to submit a tender for a potential service contract. Once our executive Directors consider a potential service contract to be acceptable based on our review and assessment of the tender materials, we will prepare and submit a tender proposal to the Housing Authority accordingly. Based on the tender evaluation system for service contracts adopted by the Housing Authority, the Housing Authority evaluates tenders based on financial considerations including the financial capacity of the tenderer and tender price, as well as non-financial considerations including management proposal and past performance. The Housing Authority also takes into account of adverse reports or default notices received by that PSA as part of the criteria in assessing the past performance of the PSA. During the Track Record Period, our Group did not receive any adverse reports nor default notices issued by the Housing Authority under the HA Guide.

Based on the requirements of the tender documents and floor plan of the estates, our management proposal requires the disclosure of, among others, the number of qualified staff members to be deployed, the wages of our security and/or cleaning staff, resources to be spent on cleaning and/or security services, daily working hours of our staff, site and occupational safety. In order to increase our chances of being selected and as permitted under the tender materials of the Housing Authority, we usually propose enhancements and modifications to the management proposal on top of the minimum services and works and propose additional number of qualified staff members to be deployed on top of the minimum number of staff members required set out under the conditions of the tender materials.

The tender submission documents also include our profile and completed tendering forms. Site visits or inspections may be arranged by our responsible officers during the tender period to have a better assessment of the estates. Other than the above, checks and investigations on the conviction records of safety and environmental aspects and the records of any occurrence of fatal or serious workplace safety incidents will be conducted against us.

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The Tender Committee of the Housing Authority (the “**Tender Committee**”) is generally responsible for considering and deciding on all matters relating to procurement, tenders, quotations and contracts. Members of the Tender Committee are holder of public office and the Tender Committee consists of members from different professional background and some of which are also members of the Housing Authority. Upon reviewing the recommendations of the Housing Authority, the Tender Committee will decide on their selection. Results of the tender application will be published in the Government Gazette. The following flowchart illustrates the tendering procedures under which we acquire new service contracts from the Housing Authority:



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To the best knowledge and belief of our Directors, it normally takes around three months for the Housing Authority to conduct tender and select a property management company. Upon being selected by the Housing Authority, we will sign a letter of acceptance and enter into a surety bond issued by our banker in favour of the Housing Authority. The sum of surety bond is normally equivalent to two months' property management fee of the estate.

### *Tender success rate*

As disclosed under the paragraph headed "Customers — Limits on the PSAs imposed by the Housing Authority" above in this section, a contractor on the HA Lists would not be eligible for tendering for any additional contracts from the Housing Authority if its workload exceeds the WCL. The WCL for property management service contracts of PRH to be tendered for on or after 1 December 2016 was increased from 70,000 to 85,000 effective units, with 5% allowance in excess of WCL, which amounts to 4,250 effective units, for every PSA. In other words, the total maximum number of effective unit under the WCL plus 5% allowance is 89,250 effective units.

In considering whether to submit a tender for a service contract, we typically take into account the number of residential units of the estate, condition of the estate, types of services to be provided, our working capital sufficiency, the indicated price stated in the tender invitations as well as our service capacity. From time to time, we may respond to tender notices or invitations by submitting tenders even at times when we may not have sufficient capacity to undertake more service contracts for the Housing Authority or other potential customers. Our Directors believe that such strategy is essential as it allows us to evaluate the latest market development and pricing trends, as we will be informed of the difference between our tender price and the successful tender price if our tender is not successful. This information is useful to us in tendering for future service contracts. In addition, responding to tender notices or invitations help us to maintain our relationship with the Housing Authority and other potential customers. As such, we may still from time to time submit tenders with less competitive pricing terms for service contracts which we believe offer lower probability or at the time when our management and staff resources are scarce or when there are other better opportunities in the market, with full expectation that our chance of success will be substantially lower.

As at 1 January 2015, we managed about 66,116 effective units under the WCL regime, leaving us a capacity to further take up 3,884 WCL effective units based on the then WCL of 70,000 effective units. During FY2015, we won three property management service contracts awarded by the Housing Authority from two tenders submitted in FY2015 and one tender submitted in November 2014. These three property management service contracts covered a total of ten public estates, out of which four represented new public estates and six represented renewal of the relevant service contracts of all six of our existing public estates which had their extendable terms expired during the year. As a result, by 31 December 2015, we had already taken up 69,158 effective units, which was close to the then WCL of 70,000 and effectively prevent us from tendering for further property management service contracts for PRH estates. In FY2016, we submitted one tender for a property management service contract for a public estate under TPS with incorporated owners but it was not successful.

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In addition to the property management service contracts for PRH estates, TPS-PR estates and BRO-PR estates invited by the Housing Authority, we were also invited to submit tenders for property management service contracts for HOS estates as well as stand-alone security and cleaning service contracts by the Housing Authority, which are not constrained by the applicable WCL for PSA and other property management service contracts in the private sector during the Track Record Period.

To summarise our contract tendering status for new estates during the Track Record Period, in FY2015, we submitted two tenders for the property management service contract for a private residential property and a private industrial property, respectively and we won both. We also submitted tenders for two property management service contracts from the Housing Authority and won both. In addition, we won one property management service contract from the Housing Authority in FY2015 from a tender we submitted in November 2014. In FY2016, we submitted three tenders for property management service contracts of HOS estates and we were awarded with two of them. We also submitted 12 tenders for stand-alone security and cleaning service contracts invited by the Housing Authority, which we consider were less profitable than the property management service contracts in general, and all of them were unsuccessful. We consider that our failure to obtain these service contracts was because our pricing terms were higher than the other bidders as a result of the strategy we adopted as mentioned above. In 4M2017, we submitted two tenders for stand-alone security or cleaning service contracts, and both of them were unsuccessful for the same reasons stated above.

The table below illustrates the overall tender success rate of Modern Living during the Track Record Period:

Year/Period	Number of tenders submitted	Number of successful tenders	Tender success rate
FY2015			
— property management service contracts for PRH/TPS-PR estates	3*	3	100%
— property management service contracts for private and industrial properties	2	2	100%
FY2016	15	2	13.3%
4M2017	<u>2</u>	<u>Nil</u>	<u>Nil</u>
<b>Total number of tenders submitted during the Track Record Period</b>	<b><u>22</u></b>	<b><u>7</u></b>	<b><u>31.8%</u></b>

\* One of the three tenders was submitted in November 2014 and was awarded during FY2015.



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The table below illustrates the tender success rate of Modern Living during the Track Record Period by type of contracts:

Year/Period	Number of tenders submitted	Number of successful tenders	Tender success rate
FY2015			
— Property management service contracts for PRH/TPS-PR estates	3*	3	100%
— Property management service contracts for private and industrial properties	2	2	100%
FY2016			
— Property management service contracts for HOS estates	3	2	66.7%
— Stand-alone security or cleaning service contracts	12	Nil	Nil
4M2017			
— Stand-alone security or cleaning service contracts	2	Nil	Nil

\* One of the three tenders was submitted in November 2014 and was awarded during FY2015.

As shown in the table above, apart from stand-alone service contracts which we recorded low tender success rate during the Track Record Period for the reasons as explained above, we recorded a much higher tender success rate for property management service contracts during the Track Record Period. We consider that our failure to obtain stand-alone service contracts during the Track Record Period was because our pricing terms were higher than the other bidders.

### *Tendering process for private housing sector*

We have established a series of procedures to participate in a tender. In addition to our regular checks on local newspapers for tendering advertisements placed by potential customers, we receive invitations to tender from potential customers from time to time. The tender documents provided by the potential customers normally set out the objectives and expected standard of services such as number of security guards required and frequency of cleaning. Site visits may also be made by our management or property management officers to examine the conditions of the properties. We will pursue the business opportunity and submit tender only if (i) the required scope of services is within our capacity, (ii) our management considers the property management fee of the project has a reasonable profitable margin over the estimate cost; and (iii) the property is in an acceptable condition generally.

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Based on the requirements of the tender documents and floor plan of the properties, we are usually required to set out details of its proposed services plans, such as the role and number of property managers, qualified staff, supporting staff of all required discipline, including technicians and management staff members, security guards and cleaners as well as frequency of cleaning. We will estimate the required cost, determine the price quotation and prepare the tender submission documents. The tender submission documents usually include our proposed lump sum fee, our profile, proposals for management and the terms and conditions of our services. If we are awarded an offer of the service contract, we will usually receive a notification letter from the customer and will enter into service contract with the customer.

### **Major terms of our service contracts**

Our service contracts with the Housing Authority are based on the standard forms provided by the Housing Authority. The Housing Authority will also specify the minimum number of headcount to be deployed by us on each estate for providing the services as stipulated in the contract. The other major terms of our service contracts are similar and the typical terms are summarised below:

### **Property management service contracts**

- |   |   |
|---|---|
| Duration  | : For PRH, TPS-PR and BRO-PR estates, an initial term of three years and an extendable term of two years; for HOS estates, a term of two years  |
| Payment terms   | : Delivering at the end of each month of a signed statement with payment application stating our service fee for the works and services provided and the amount of reimbursement sought from the Housing Authority. Within 30 days from the date of delivery of our statement, the Housing Authority shall value and certify the content and within further 21 days, the Housing Authority shall make payment to us |
| Our rights and obligations                            | : Providing services including facilities management, security, cleaning, repair and maintenance, project management financial management and tenancy management  |
| Surety and security required by the Housing Authority | : Surety bond issued by our banker in favour of the Housing Authority normally with a sum equivalent to two months' service fee   |
| Termination of the agreement                          | : Upon expiry of the contract or 90 days' written notice by the Housing Authority   |
| Conditions for extending the agreement                | : Please refer to the paragraph headed "Customer — Extension upon expiry of the initial term of the existing service contracts" in this section.  |

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Adjustment mechanism for our service fee : For every 12-month period after the commencement date of the contract, our service fee is subject to adjustment mechanism linked to a formula calculated based on (i) the CCPI and (ii) indices of payroll of persons working as general cleaners and security guards extracted from the Quarterly Report of Wage and Payroll Statistics.

### **Stand-alone cleaning service contract/security service contract**

Duration	An initial term of two years subject to two extensions, each with a further term of two years
Payment terms	Delivering at the end of each month of a signed statement with payment application stating our service fee for the works and services provided. The Housing Authority shall within 23 business days from the date of delivery of our statement make payment to us.
Our rights and obligations	Providing cleaning or security services to the estates and facilities stipulated in the contract
Surety and security required by the Housing Authority	Surety bond issued by our banker in favour of the Housing Authority with a sum equivalent to one month's service fee
Termination of the agreement	For cleaning service contract, upon expiry of the contract or 90 days' written notice by the Housing Authority; for security service contract, upon expiry of the contract or three months' written notice by the Housing Authority
Conditions for extending the agreement	No conviction under the relevant laws during the period of five years preceding the date on which the notification of intention to extend the contract was issued
Adjustment mechanism for our service fee	For every 12-month after the commencement date of the contract, our service fee subject to adjustment mechanism linked to a formula calculated based on (i) CCPI and (ii) indices of payroll of persons working as general cleaners or security guard extracted from the Quarterly Report on Wage and Payroll Statistics.

### **Remaining terms of our existing service contracts**

One of our existing property management service contracts in respect of three public estates will have its extendable term expired by 31 December 2018 and two of our existing property management service contracts in respect of eight public estates will have their initial terms expired in 2018 (with extension not yet granted as at the Latest Practicable Date). We also have three existing property management service contracts (one for PRH estates and two for HOS estates) in respect of four public estates with no extendable terms, and will have their contract terms expired in 2019 or 2020. Apart from these six property management service contracts, our other property management service contracts on

hands as at the Latest Practicable Date in respect of 13 public estates will have their extendable terms expired in 2019 or 2020. Our stand-alone cleaning service contract has been extended twice and will have its extendable term expired by 31 October 2019, and our stand-alone security service contract has been extended once to 30 June 2018, which is capable to be extended one more time under the terms of the existing contract.

During the Track Record Period and up to the Latest Practicable Date, we successfully extended all of our existing service contracts with initial terms expired. Upon the expiry of the full term (including the extended term) of the service contract, the Housing Authority will invite the eligible contractors to submit tender for a new service contract of the relevant estate. Under the current tendering procedure, we are eligible to re-tender the expiring service contract as long as we continue to remain on the relevant HA Lists and the number of effective units managed by us does not exceed the applicable WCL.

#### **Extension upon expiry of the initial term of the existing service contracts**

When deciding whether to extend our service contract upon expiry of the initial term, the Housing Authority shall have the sole discretion taking into account of our performance or other matters which the Housing Authority considers appropriate. The process of extending our service contract is initiated by the Housing Authority by serving on us a written notice confirming its intention to extend the contract term at least 90 days before the expiration of the initial contract term. We have to serve a confirmation on acceptance to the extension of the service contract to the Housing Authority within 14 days from the date from the written notice of the Housing Authority, or otherwise the Housing Authority will consider that we reject the extension. Upon receiving our confirmation on acceptance to extension, the Housing Authority will issue a confirmation letter confirming the extension and specifying the extended expiry date of the service contract.

In considering whether an extension will be given, the Housing Authority takes into account of quality of services provided by us by giving us a contractor score which is the rolling average of quarterly estate scores (“QES”) of all estates in the past four quarters until the service contract expires. The QES is calculated for a three-month period with reference to the opinion or feedback from the Housing Authority, estate management advisory committee, independent consultant company and tenants as well as the management assessment given by the Housing Authority on specific aspects such as surprise checks and crisis management. In order to qualify for an extension, all QES of every estate and average QES of all estates must be above the passing mark of 65 and 75 respectively. During the Track Record Period, the QESs attained by the estates and the average QES of all estates managed by our Group were all above the aforesaid passing marks. In addition, during the Track Record Period, our Group did not receive any adverse reports nor default notices issued by the Housing Authority under the HA Guide. Our Directors confirm that as at the Latest Practicable Date, we have no material impediment in obtaining contract extensions as we obtain QES for the estates we manage higher than the current passing mark set by the Housing Authority.

#### **Pricing policy**

During the Track Record Period, we primarily generated our revenue from services which we charged on a lump sum basis. For service contracts with the Housing Authority, our lump sum service fee is adjusted according to an annual fee adjustment mechanism with reference to changes in (i) CCPI and (ii) the indices of payroll of persons working as general cleaners and security guards extracted from the Quarterly Report on Wage and Payroll Statistics. In addition, if we are required to carry out project

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management and supervision for major repair and maintenance projects under our property management service contracts, we are able to charge additional fee based on a certain percentage of the contract sum of the repair and maintenance projects. During the Track Record Period, our Group's revenue generated from the provision of property management services to the Housing Authority was approximately HK\$3,897, HK\$4,291 and HK\$4,386 (annualised) per unit for FY2015, FY2016 and 4M2017, respectively, with an average of approximately HK\$4,191 per unit. The increase in revenue per unit of approximately 10.1% from approximately HK\$3,897 in FY2015 to approximately HK\$4,291 for FY2016 was consistent with our revenue increase of approximately 13.4% for FY2016, the reasons for which are explained under the paragraph headed "Financial Information — Description of certain income statement items — Revenue" in this prospectus. Our revenue per unit for 4M2017 (on an annualised basis) was relatively stable as compared to that of FY2016. The above revenue per unit is calculated by our total revenue for that year/period (excluding revenue generated from private properties) divided by the average of the beginning and ending number of public housing units we provided property management services to. During the Track Record Period, our Group's cost of providing property management services to the Housing Authority was approximately HK\$3,616, HK\$3,898 and HK\$4,095 (annualised) per unit and represented approximately 92.8%, 90.8% and 93.4% of our revenue per unit for FY2015, FY2016 and 4M2017, respectively. The above cost per unit is calculated by our total employee benefit expenses and subcontracting cleaning and cleaning material costs for that year/period (excluding employee benefit expenses and subcontracting cleaning and cleaning material costs for private properties) divided by the average of the beginning and ending number of public housing units we provided property management services to. For analysis on our employee benefit expenses and subcontracting cleaning and cleaning material costs, please refer to the paragraphs headed "Financial Information — Description of certain income statement items — Employee benefit expenses" and "Financial Information — Description of certain income statement items — Subcontracting cleaning and cleaning material costs" in this prospectus.

In determining the tender price for service contracts, we take into account various factors including: (i) prevailing market rates; (ii) cost analysis taking into account services provided, potential increase in wages of our staff required to be deployed, resources allocated to the project, the relevant term of service, material costs, fees for subcontractors (if any), the location, size of project and timetable provided by the customer; (iii) our budget plus a profit margin of approximately 3%–5%; and (iv) relationship, reputation or background of the customer.

In light of the increasing labour costs and the labour-intensive nature of our business, it is important for us to accurately estimate our cost in preparing tenders or pricing our services. We believe that our customers expect accurate assessment of costs (including potential increases in labour costs) prior to submitting any tenders or entering into any service contracts.

Although most of our service contracts with the Housing Authority allow service fee adjustment under the adjustment mechanism based on the changes in the CCPI of Hong Kong and indices of wages of general cleaners and security guards in Hong Kong, we generally consider potential changes in labour costs as early as when we estimate our fees during the tendering process rather than adjusting our fees on an ad hoc basis. On the other hand, most of the property management service contracts in Hong Kong are tender contracts and the terms of the tenders are pre-set by the customer which may not include price adjustment mechanism. Accordingly, if we decide to submit tender for such service contract, we generally rely on our accurate assessment of costs in the stage of preparing terms of our initial offer as a way to pass potential increase in service costs to customers and to tackle the risk of cost increment over

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time, and rely on our cost control measures to avoid cost overrun. For the risks involved, please refer to the paragraph headed “Risk Factors — Provision of property management services on a lump sum basis could subject us to losses” in this prospectus.

### **Payment terms and credit period**

We normally send monthly invoices to our customers and require them to settle the service fee on a monthly basis. During the Track Record Period, all revenue from our services was denominated in Hong Kong Dollars.

In relation to the Housing Authority for property management service contracts, we will deliver a monthly statement with payment application stating our service fee for the work, services provided, the amount of reimbursement sought from the Housing Authority together with supporting documents for claiming disbursements and expenses. As stipulated in the property management service contracts with the Housing Authority, the Housing Authority shall within 30 days from the date of delivery of our monthly statement certify the statement and make payment to us within further 21 days. For the stand-alone security and cleaning service contracts, it is stipulated that the Housing Authority shall pay within 23 business days from the date of delivery of our statement.

During the Track Record Period, we did not record any bad debt and we did not experience any material difficulty in collecting payment from our customers.

Our average trade receivable turnover days were approximately 48.2 days, 51.5 days and 58.2 days for FY2015, FY2016 and 4M2017 respectively. For further analysis of our trade receivable turnover days, please refer to the paragraph headed “Financial Information — Discussion of certain key balance sheet items — Trade and unbilled receivables” in this prospectus. We closely and continually monitor the trade receivable balance and overdue balance to consider whether a reminder letter or provision for impairment of trade receivable is necessary.

### **Seasonality**

We have not experienced material seasonal fluctuations in our revenue given that most of our revenue during the Track Record Period derived from a fixed term service contracts and we provide monthly invoice to our customers for a relatively fixed amount.

### **Marketing**

Although we do not maintain a sizeable marketing team or devote substantial resources in direct advertising campaigns, our Directors believe that enhancing the quality of service and maintaining a good relationship with the residents and occupiers is the way for building up our reputation. Since most of our business is obtained from the Housing Authority, we consider our quality of services plays an important part when the Housing Authority awards new tender to us or extends the existing term of our service contract. Our Directors also consider that if the customers, residents and occupiers are satisfied with our services, they may recommend us to members of other owners’ corporations through their personal networks, thus increasing the chance of success in future tender of other properties.

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In addition, to promote the goodwill and the quality of services we provide under our own brand name “Modern Living”, our Group also takes part in social activities, district community events and charity events to gain public exposure. For example, our staff regularly participate in Oxfam Trail-walker and Green Power Hike. We organise festive functions and environmental protection promotions for residents and occupiers to facilitate our communication with them. We also participate in activities or campaigns organised by the Government on environmental hygiene or protection, including obtaining a waste-wise certificate and energy-wise certificate and participating in “Operation Tai Ping Tei”. Our Directors believe that through the participation of the activities and campaigns, we can enhance our corporate image and promote our own brand name “Modern Living”.

### SUPPLIERS

Our suppliers are broadly categorised into (i) subcontractor and (ii) suppliers of cleaning materials, staff uniforms, repair and maintenance as well as security guard force, which are located in Hong Kong. During the Track Record Period, our top five suppliers included Ying Wah, being our cleaning service subcontractor (up to September 2016 when we ceased their services and took up all the cleaning services by our own staff), and our suppliers of cleaning materials, staff uniforms and security guard force.

The table below sets forth the details of our largest five suppliers during the Track Record Period:

*FY2015*

Rank	Supplier	Type(s) of service/ product provided	Transaction amount (HK\$'000)	Approximate percentage of the Total Procurement (%)	Length of business relationship with our Group as at the Latest Practicable Date
1.	Ying Wah	Cleaning services	30,227	82.0%	7 years
2.	B	Plastic bags	828	2.2%	2 years
3.	C	Uniforms	644	1.7%	3 years
4.	D	Specialist guard services	459	1.2%	3 years
5.	E	Waste bins	353	1.1%	2 years
<b>Total</b>			32,511	88.2%	

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*FY2016*

Rank	Supplier	Type(s) of service/ product provided	Transaction amount (HK\$'000)	Approximate percentage of the Total Procurement (%)	Length of business relationship with our Group as at the Latest Practicable Date
1.	Ying Wah	Cleaning services	13,993	67.4%	7 years
2.	B	Plastic bags	1,326	6.4%	2 years
3.	F	Plastic bags	1,210	5.8%	1 year
4.	G	Cleaning Materials	798	3.8%	3 years
5.	D	Specialist guard services	405	2.0%	3 years
<b>Total</b>			<u>17,732</u>	<u>85.4%</u>	

*For 4M2017*

Rank	Supplier	Type(s) of service/ product provided	Transaction amount (HK\$'000)	Approximate percentage of the Total Procurement (%)	Length of business relationship with our Group as at the Latest Practicable Date
1.	F	Plastic bags	619	32.6%	1 year
2.	G	Cleaning Materials	381	20.1%	3 years
3.	I	Plastic bags	177	9.3%	1 year
4.	J	Plastic bags	174	9.2%	Less than one year
5.	K	Cleaning materials	156	8.2%	1 year
<b>Total</b>			<u>1,507</u>	<u>79.5%</u>	

The aggregate fee paid to our five largest suppliers for FY2015, FY2016 and 4M2017 amounted to approximately HK\$32.5 million, HK\$17.7 million and HK\$1.5 million, respectively, representing 88.2%, 85.4% and 79.5% of the Total Procurement, respectively. Ying Wah was our largest supplier in providing cleaning services for FY2015 and FY2016 and our fee paid to Ying Wah amounted to approximately HK\$30.2 million and HK\$14.0 million, respectively, representing 82.0% and 67.4% of the Total Procurement, respectively. In September 2016, we ceased their services and since then we took up all cleaning services by our own staff. For 4M2017, the fee paid to our largest supplier which is an Independent Third Party, amounted to approximately HK\$619,000. The general credit term granted by our major suppliers during the Track Record Period ranged from 30 days to 60 days.



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### *Ying Wah as our cleaning services subcontractor*

During the Track Record Period, we engaged Ying Wah as our subcontractor to provide cleaning services to some estates managed by us to complement the growth of our business. Ying Wah was the only subcontractor engaged by us during the Track Record Period, which provided cleaning services for three of our property management services contracts up to the termination of all subcontracting in September 2016. To the best of our knowledge, Ying Wah performed the cleaning services by their own staff and did not outsource the service to any subcontractor. In 2014, our Group experienced substantial growth and successfully tendered for new property management contracts from the Housing Authority to manage 13 new public estates. To cope with such growth, our Group hired additional staff and engaged Ying Wah to provide cleaning services to some of the newly contracted estates. During Track Record Period, we subcontracted the cleaning service of eight estates to Ying Wah in FY2015, which reduced to five estates since January 2016 and further reduced to two estates since July 2016. After we gradually gained experience in managing the increased number of estates, in 2016, we decided to provide the cleaning services by ourselves, and we ceased to engage Ying Wah in September 2016. Since then, we have taken up all cleaning services by our own staff. Our Directors confirmed that there has been no dispute between our Group and Ying Wah.

As at the Latest Practicable Date, Ying Wah was owned as to 60% by the father of Ms. Yeung. Ms. Yeung is one of our Shareholders interested in approximately 7.1% of the issued share capital of our Company immediately upon the 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 which may be granted under the Share Option Scheme) and has had no management role in our Group. As at the Latest Practicable Date, Ms. Yeung was a director of Ying Wah.

The cleaning service fee payable to Ying Wah by our Group was fixed on a lump-sum basis with reference to the expected numbers of workers to be deployed to the estates and the committed wages of different types of cleaning workers and foremen stipulated by the Housing Authority. Having considered the terms and conditions of the service contracts entered into between Modern Living and Ying Wah for Ying Wah to provide cleaning services as a subcontractor, our Directors are of the view that the subcontracting arrangement entered into between Modern Living and Ying Wah during the Track Record Period was in the ordinary course of business, on arms' length basis and fair and reasonable.

Save for Ying Wah which was our cleaning service subcontractor, none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest suppliers during the Track Record Period. We do not have any material dispute or claim with any of the suppliers during the Track Record Period.

### **Subcontracting arrangement**

Although we strive to provide property management services by our own staff, during the Track Records Period, we engaged Ying Wah to provide cleaning services to complement the growth of our business. Although we ceased their service in September 2016 and since then we took up all the cleaning services by our own staff and as at the Latest Practicable Date, we did not engage any service provider to carry out our works, we may engage subcontractors in the future to cater for the growth of our business whenever necessary for operational flexibility.

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### *Our subcontracting policy*

The Housing Authority, our single largest and most important customer, requires that subcontractor for cleaning and security services must be an approved contractor on the relevant HA Lists. We would therefore only select subcontractor approved by the Housing Authority. In addition, the criteria by which we select subcontractors are, among other things, (i) quality of service; (ii) price and payment terms; (iii) size and reputation of the subcontractors; (iv) possession of any certifications or recognitions (e.g. ISO certifications); (v) availability; and (vi) experience. Based on the requirements of the relevant services to be provided, we would shortlist the suitable subcontractors and invite the subcontractor to tender.

### *Quality control of the services provided by the subcontractor*

To ensure the quality of the services provided by our subcontractor, our property management team are required to perform regular and ad-hoc inspections on the buildings and public areas. Regular inspections were carried out usually on a weekly basis during which the property management team would run through a standard checklist and evaluate the cleanliness or the security services of all concerned estate within the buildings and public areas. Any sub-standard performance of our subcontractor would be recorded and reported to the management directly during the daily morning briefings. The issues would be followed-up by the property management team with the involved subcontractor. Repeated failure to meet the service standards as provided in the subcontracting agreement would lead to termination of subcontracting agreement by us. As at the Latest Practicable Date, our Directors confirm that we have not received any material complaint on the quality of services provided by our subcontractor.

## **QUALITY MANAGEMENT**

We put great emphasis on the quality of services which we provide. Our Directors believe that the quality of services is essential to establish and nurture for our business and it is one of the key factors which led to our success. We have therefore formulated a consolidated policy manual covering quality management systems, environmental management systems and occupational, health and safety management systems. A series of measures are imposed to establish a quality control framework.

As our services are performed in the estates that we manage, we assign property and maintenance officers to perform weekly site-inspection as a control measure to make sure that the management of the property is in right order with reference to our standard checklist. The major inspected areas include (i) the performance of the security staff; (ii) the condition of common areas of the building and public areas of the estate; (iii) the progress and safety of repair and maintenance work (if any); and (iv) the handling progress of any pending complaints. Responsible district managers will cross-check the condition of the property and follow-up important issues.

District managers will report outstanding important issues to the top management for instruction and advice. Daily operation meetings are held with our senior management (including executive Directors) and district managers, with the involvement and assistance of the senior property management staff, to discuss the status of and solutions to the issues.

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In recognition of our efforts in maintaining international standards of quality management system, Modern Living has been accredited with the ISO9001:2015 (revised from ISO9001:2008) Quality Management System Standard, ISO10002:2014 Customer Satisfaction Management System Standard, ISO14001:2015 (revised from ISO14001:2004) Environmental Management System Standard and OHSAS 18001:2007 OHS Management System.

### **COMPLAINT MANAGEMENT**

Problems of property management services may be reflected in the complaints received from residents and occupiers. We have established detailed complaint management procedures to handle all complaints in a timely manner for maintaining our service standard at a high level. For complaints received by telephone, our property officers or managers are generally required to respond to the residents within one hour. For complaints in writing, our property officers or managers are required to make a phone call to the complainant to understand the situation and update the current status. The relevant property officers or managers will attend the concerned site and resolve the issue when necessary. Our staff have to revert in writing within seven days according to the internal control policies.

Pursuant to the internal control policies, all complaints are recorded in the “complaint log-book” and the handling progress is reviewed and monitored by district managers regularly. Typical complaints such as noise from neighbours and blockage of drainage pipes are normally handled within 14 days. For complaints of other categories, investigations are normally launched within ten days. These procedures ensure that all complaints are handled and resolved in a timely manner in order to uphold the quality of service.

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### MAJOR QUALIFICATIONS AND CERTIFICATIONS

In order to provide property management or security services, we have to obtain certain licence(s) or qualification(s) under the laws of Hong Kong or the relevant regulations. Details of the above are set forth under the section headed “Regulatory Overview” in this prospectus. The following table sets out the qualifications and licences held by Modern Living as at the Latest Practicable Date:

Licence/Permit	Qualification	Relevant Government departments or statutory bodies	Period of licence/ permit
Security company licence	Type I — Provision of security guarding services	Security and Guarding Services Industry Authority	8 November 2012– 7 November 2017 <sup>(Note 1)</sup>
HA List of Security Service Contractors — Band IIA	Eligible for tender for Housing Authority security service contracts	Housing Authority	N/A <sup>(Note 2)</sup>
HA List of PSAs — Group PS2	Eligible for tender for Housing Authority property management service contracts	Housing Authority	N/A <sup>(Note 2)</sup>
HA List of Cleansing Service Contractors — Band IIA	Eligible for tender for Housing Authority cleaning service contracts	Housing Authority	N/A <sup>(Note 2)</sup>
Certificate of Registration of Electrical Contractor	Eligible to provide electrical installation services	Director of Electrical and Mechanical Services	19 December 2016– 19 March 2020

*Notes:*

1. Modern Living has renewed its security company licence, and the renewed licence shall be valid from 8 November 2017 to 7 November 2022.
2. Although annual renewal is required, the validity period is not stated. We receive from the Housing Authority annually a letter of request for payment of annual renewal fee to retain its position on the list.

For further information on the licensing requirement in the provision of our services, please refer to the section headed “Regulatory Overview” in this prospectus.

As advised by Counsel, Modern Living has obtained all requisite certificates, permits and licences from the relevant regulatory authorities in Hong Kong in relation to its establishment and business operations, and has complied with all the relevant laws and regulations in relation to its operations in all material respects.

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### Certifications

The following table sets out the major certifications of Modern Living:

Year of first grant	Award/Certification	Awarding organisation or authority	Validity period/ expiry date
2011	ISO 9001:2015 Quality Management System Standard	Accredited Certification International Limited	20 July 2020
2011	ISO 10002:2014 Customer Satisfaction Management System Standard	Accredited Certification International Limited	20 July 2020
2011	ISO 14001:2015 Environmental Management System Standard	Accredited Certification International Limited	20 July 2020
2011	OHSAS 18001:2007 OHS Management System Standard	Accredited Certification International Limited	20 July 2020
2011	Full membership	Hong Kong Association of Property Management Companies Limited	N/A <sup>(Note)</sup>

*Note:* There is no annual renewal requirement of the membership apart from the payment of annual fee.

### Awards and recognitions

The following table sets out the major awards and recognitions obtained by Modern Living during the Track Record Period and up to the Latest Practicable Date:

Year of award	Award	Awarding organisation or authority
2017	Hong Kong Green Organisation Certification — Wastewi\$e Certificate (Basic Level) — On Tin Estate	Environmental Campaign Committee
2017	Estate Management Services Contractors Awards 2016 — Best Property Services Agent (Public Rental Housing) — Silver Award	Housing Authority
2017	Estate Management Services Contractors Awards 2016 — Best PRH Estate (Property Services) Large Estate (>4,000 units) — Silver Award — Tai Yuen Estate	Housing Authority

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Year of award	Award	Awarding organisation or authority
2017	Estate Management Services Contractors Awards 2016 — Best PRH Estate (Property Services) Small Estate (≤4,000 units) — Bronze Award — On Tin Estate	Housing Authority
2017	Estate Management Services Contractors Awards 2016 — Best PRH Estate (Property Services) Small Estate (≤4,000 units) — Bronze Award — Shui Pin Wai Estate	Housing Authority
2017	Best Property Services Agent (Tenants Purchase Scheme)	Housing Authority
2016	Excellence in Facility Management Award 2015 — Excellence Award (Public Rental and Subsidized Purchase Housing) — Tin Yiu Estate	Hong Kong Institute of Facility Management
2016	Excellence in Facility Management Award 2015 — Merit Award (Public Rental and Subsidized Purchase Housing) — Lee On Estate	Hong Kong Institute of Facility Management
2016	Estate Management Services Contractors Awards 2015 — Best Property Services Agent (Public Rental Housing) — Bronze Award	Housing Authority
2016	Estate Management Services Contractors Awards 2015 — Best PRH Estate (Property Services) Small Estate (≤4,000 units) — Bronze Award — Shui Pin Wai Estate	Housing Authority
2015	Excellence in Facility Management Award 2015 — Merit Award (Public Rental and Subsidized Purchase Housing) — Lee On Estate	Hong Kong Institute of Facility Management
2015	Estate Management Services Contractors Awards 2014 — Best Property Services Agent (Public Rental Housing) — Silver Award	Housing Authority
2015	Estate Management Services Contractors Awards 2014 — Best PRH Estate (Property Services) Small Estate (≤4,000 units) — Bronze Award — Shui Pin Wai Estate	Housing Authority

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**EMPLOYEES, STAFF TRAINING AND MANAGEMENT**

The table below sets forth the number of our employees as at 31 December 2015, 31 December 2016, 30 April 2017 and the Latest Practicable Date:

	<b>31 December 2015</b>	<b>As at 31 December 2016</b>	<b>30 April 2017</b>	<b>As at the Latest Practicable Date</b>
Number of employees	1,970	2,277	2,239	2,272

The table below sets forth the total number of our employees by function as at the Latest Practicable Date:

<b>Job function</b>	<b>Number of employees</b>
Security	1,214
Cleaning	710
Estate management (including our management and headquarters staff)	348
<b>Total</b>	<b>2,272</b>

As at the Latest Practicable Date, our security employees represented approximately 53.4% of our total employees. Under the Security and Guarding Services Ordinance, all of our employees who engage in security work are required to hold valid security personnel permit. We maintain a control system and the estate manager of each estate monitors and updates the permit status of all of our employees who engage in security related work. As at the Latest Practicable Date, all of our security employees possess the relevant security personnel permit.

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Our security and cleaning staff members are deployed and work at their respective assigned estate. Our staff members who are responsible for tenancy management and financial management are mainly stationed at their respective estate offices while some of them are stationed at the headquarters' office to offer central support to their counterparts in local estate offices. We also employ a team of professional staff with various expertise and knowledge to carry out our services. Below the table sets forth, as at the Latest Practicable Date, the number of employees with professional qualifications employed by us:

<b>Professional qualification</b>	<b>Number of employees</b>
Members of the Chartered Institute of Housing	5
Members of the Hong Kong Institute of Housing	14
Building Surveyors	4
Electrical Engineer	1
Mechanical Engineers	2
Structural Engineer	1
Building Services Engineers	3
Architects	2
Certified Public Accountants	<u>2</u>
<b>Total</b>	<u><u>34</u></u>

Among the professional staff members set out above, we have two authorised persons registered under the Buildings Ordinance. An authorised person is a statutorily recognised and qualified person, who must be appointed for certain building works and the authorised person will be the coordinator and supervisor of such works.

As at the Latest Practicable Date, the number of our employees who have the requisite qualifications and experience to maintain our Group's status as one of the approved PSA, security and cleaning service contractors on the HA Lists was well above the minimum requirements as stated in the HA Guide. Please refer to the paragraph headed "Regulatory Overview — The Hong Kong laws in relation to the property management industry — HA Lists" for further details. As the minimum requirements are well covered, we do not consider the departure of some of these employees would have material impact on our status as one of the approved PSA, security and cleaning service contractors on the HA Lists. Our Group will monitor the ongoing compliance and find suitable replacement in the event of departure of any of these qualified employees.

### **Training and Development**

We place significant emphasis on the quality of services provided by our staff. We therefore put substantial resources on staff development by providing our staff with on-the-job training and actively encourage the continuing development of our employees by regularly arranging training sessions to refresh and polish their skills and knowledge as well as to gain a better understanding and receive regular updates on regulations or requirements of our customers.



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We ensure that our staff members would receive appropriate training to provide consistent quality services to our customers and safeguard work-place safety for our staff. For these reasons, we have induction trainings and encourage our staff to undergo continuous safety trainings, including:

- regular training in areas such as accident and emergency training, legal updates and handling complaints from residents;
- training in relation to emergency situations including breakdown of essential services, fire drills and drills on emergency evacuation of residents and occupiers together with Fire Services Department; and
- administrative training to our staff in relation to tenancy management, financial management and logistic of the administrative work.

For details of our safety trainings provided to our staff, please refer to the paragraph headed “Workplace safety and health — Training to employees on workplace safety” in this section.

### **Remuneration and benefits of employees**

Our remuneration package offers our employees salary, discretionary bonuses and allowances. In general, we determine employee salaries based on their individual qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions of our employees.

We participate in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance and have made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, we have not participated in any other pension scheme(s).

Being in a labour-intensive industry, our staff related costs (which include salaries, wages and other staff benefits, contributions to retirement schemes, provisions for staff long service payment and untaken paid leave) constitute a significant part of our costs of services. For FY2015, FY2016 and 4M2017, our employee benefit expenses were approximately HK\$247.9 million, HK\$294.2 million and HK\$107.5 million respectively, representing approximately 81.6%, 85.4% and 92.2% of our total revenue during the respective year/period.

### **Statutory Minimum Wage**

Although most of our service contracts with the Housing Authority allow service fee adjustment under the adjustment mechanism which is based on the changes in the CCPI of Hong Kong and indices of wages of general cleaners and security guards in Hong Kong, we generally consider potential changes in labour costs as early as when we estimate our fees during the tendering process. The statutory minimum wage was increased from HK\$30 per hour to HK\$32.5 per hour effective on 1 May 2015 during the Track Record Period and was further raised from HK\$32.5 per hour to HK\$34.5 per hour on 1 May 2017. The impact brought by the increment of the statutory minimum wage affected both our staff cost and revenue during the Track Records Period. Our total employee benefit expenses have increased from approximately HK\$247.9 million for FY2015 to approximately HK\$294.2 million for FY2016. On the other hand, our revenue also recorded an increase from approximately HK\$303.6

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million for FY2015 to approximately HK\$344.5 million for FY2016, mainly due to the adjustment of our service fee under the adjustment mechanism which is based on the changes in the CCPI of Hong Kong and indices of wages of general cleaners and security guards in Hong Kong.

Our Directors confirm that, during the Track Record Period, wages of all of our employees were no less than the applicable statutory minimum wage rate effective from time to time. The increase in statutory minimum wage may increase our labour costs. However, as we are able to adjust our fees under the service contracts with the Housing Authority in every 12-month period with reference to changes in (i) CCPI and (ii) the indices of payroll of persons working as general cleaners and security guards extracted from the Quarterly Report on Wage and Payroll Statistics, our Directors believe that such adjustment mechanism will be able to at least partially compensate the impact of the increase in statutory minimum wage on our profitability.

### **Share Option Scheme**

We conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

## **WORKPLACE SAFETY AND HEALTH**

### **Workplace safety policies, guidelines and procedures**

We put great emphasis on health and safety of our employees and we are committed to providing a safe and healthy working environment for the benefit of our staff and the residents and occupiers of the estates we manage. We have adopted an integrated safety and health management system (the “**System**”) which contains safety policies, safety guidelines and procedures to promote occupational health and safety, to prevent accidents during work and to reduce occupational hazards and to ensure compliance with the applicable laws and regulations in Hong Kong. The System adopted and used during the Track Record Period sets out work safety measures to prevent injuries or accidents which could happen in the course of our service. We require strict implementation of and adherence to the System by our staff. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce our risks related to safety issues. Our Directors have confirmed that no relevant authority has imposed any condition or specific safety requirements on us due to breaches of health and safety laws, rules or regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

### **Training to employees on workplace safety**

The provision of adequate safety training for all levels of personnel plays a vital role in effective accident prevention. We have implemented structured training programmes for all employees employed on site as set out below:

- Training prior to commencement of work: prior to commencement of work of each employee, our registered safety officer provides induction safety training to all our employees.

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- Half-yearly training programme: our registered safety officer also prepares half-yearly training programme that requires our relevant staff members to attend safety training on safety rules and regulations.
- Ad hoc training: safety training may be held on ad hoc basis to provide specific training on prevention of occurrence of accidents when necessary.

These trainings focus on different areas for enhancing occupational health and safety awareness. Topics of our safety training typically cover the following:

- fire hazard and the proper usage of firefighting equipment;
- preventing heat stroke;
- town gas leakage and explosion;
- electricity and electrocution;
- workplace violence; and
- working at height and the use of ladders and working platforms.

We consider that the provision of adequate promotion of safety information for all levels of personnel is crucial for effective accident prevention. Various measures, such as poster campaigns and distribution of safety information sheets and guides to our staff are adopted in order to promote their safety awareness and develop a safety culture within the estates. Warning signs and notices are displayed at strategic locations in offices and in different areas of the property.

### **Procedure for recording and handling employee injuries or accidents at work**

Due to our nature of work as property management service provider, we may be subject to claims from employees for work-related injuries. We therefore maintain a set of procedure to record and handle employee injuries or accidents at work and their work-related personal injuries claims. The information regarding the system of recording and handling accidents relating to health and work safety has been incorporated into the System which is available for the employees' review. The system includes reporting the accident and details of the accident to our estate manager or safety officer; initiating relevant investigations of the accident; and making statutory report(s) to the Labour Department and filing insurance claim(s), if applicable.

During the Track Record Period and up to the Latest Practicable Date, there was no material breach of work safety rules by our employees, and we did not experience any significant incident or accident in relation to workers' safety or any non-compliance with the applicable laws and regulations relevant to the work safety and health issues. Our Directors expect that all of the ongoing personal injuries and employees' compensation claims would be adequately covered by our insurance. For further details of our insurance policies, please refer to the paragraph headed "Insurance" in this section. For further details of litigation during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed "Litigation and potential claims" in this section.

## **ENVIRONMENTAL PROTECTION**

We recognise the importance of environmental protection and at the same time we meet the expectation of the community for a healthy living and working environment. With reference to what are required by under the service contracts, we have set up the major environmental protection measures for estates which we manage, including:

- providing separate recycling bins for different types of refuse to the residents and occupiers;
- carrying out programmes and initiatives on waste reduction;
- evaluating the achievements on recycling work and conducting publicity work to improve the performance in this respect;
- providing and distributing degradable garbage bags to residential flats;
- using of environmentally friendly cleansing agents; and
- increasing and maintaining green areas of the estate by conducting regular inspections to all the landscaped and planted areas to ensure that all plants are in good standard of maintenance.

We also ensure that our employees comply with our environmental management policy on the basis of appropriate education, training and/or experience. During the Track Record Period, we did not incur material expenses in relation to environmental protection.

### **Compliance with the WDO**

#### *Our services in relation to handling of waste*

As we provide cleaning services to the estates we manage, our services include the emptying of refuse bins of the premises of residents and occupiers, collection of refuse from refuse room of each floor and transfer the refuse collected to the refuse collection point of the building, as well as collecting waste generated from commercial and related ancillary facilities, parking lots, roads, and other public area within the estate to the refuse collection point of the estate (“**Door-to-door Services**”). The types of waste which we handle mainly include household waste and trade waste.

#### *Relevant provisions of the WDO*

Pursuant to the WDO, the collection authority includes FEHD and EPD (the “**Collection Authority**”). FEHD is generally responsible for the services in section 9 of the WDO, including the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste (the “**Services**”) and pursuant to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the WDO, EPD is generally responsible for construction waste, chemical waste and clinical waste.

## BUSINESS

Section 11 of the WDO, which does not apply to construction waste, prohibits the provision of any of the services by any person if such Services are also provided by the Collection Authority or a licensed party unless such person is licensed by the director of FEHD or EPD in accordance with section 10(1) of the WDO (the “**Licence**”).

Section 12(1) of the WDO provides that it shall not be an offence under section 11 of the WDO for an occupier of any building, or any persons responsible for the management of building, to remove household waste from any building if:

- (a) the Collection Authority or any person holding the Licence neglects or fails for a period of 48 hours to remove household waste for any building in respect of which the authority or person provides that service under section 9 or 10 of the WDO; or
- (b) no such service for the removal of household waste is provided by the Collection Authority or a person holding the Licence.

### *Confirmations from FEHD and EPD*

Upon the enquiries made by our Hong Kong Legal Advisers regarding the relevant provisions of the WDO, EPD and FEHD confirmed respectively by letters dated 12 May 2017 and 16 May 2017 (the “**Letters**”), among other things, that:

- (a) no licence has so far been issued by FEHD and EPD under section 10(1) of the WDO to any private business to provide any of the services under section 9 of the WDO;
- (b) EPD has not been involved in the provision of removal and disposal of household waste referred to in section 9(a) of the WDO;
- (c) FEHD does not provide Door-to-door Services for waste collection; and
- (d) according to the records of EPD, Modern Living had no conviction records in relation to section 11 of the WDO.

### *Compliance of the WDO in our provision of cleaning services*

As advised by Counsel, based on her interpretation of the WDO and the confirmation from FEHD as stated above, our cleaning services concerning waste removal and disposal services has complied with all applicable Hong Kong laws and regulations including the WDO during the Track Record Period and up to the Latest Practicable Date.

## **COMPLIANCE**

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident the nature of which is material impact non-compliance or systemic non-compliance, and did not receive any adverse report nor default notice issued by the Housing Authority under the HA Guide. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all necessary permits, approvals and licences to operate its existing business in Hong Kong from relevant governmental bodies.

## **INTERNAL CONTROL**

We recognise the importance of good corporate governance and strive to improve it through a variety of means. It is the responsibility of our Board to ensure that we maintain sound and effective internal controls to safeguard our business and assets at all times.

### **Internal control measures on cash handling**

As we receive rent, rates and charges from the tenants on behalf of the Housing Authority, we have adopted, among others, the following internal control measures on cash handling and prevention of misappropriation of cash by our employees:

*(i) Cash collection and record-keeping*

Our staff in the shroff office record cash payment immediately into the computer system and issue on behalf of the Housing Authority an official receipt to the tenant or licensee upon receiving money. Our accounting staff compile a daily income report and submit it to the responsible officer of the Housing Authority for record on a daily basis.

*(ii) Cash keeping*

All money received from tenants and licencees kept in the shroff offices of the estates is monitored by our designated employees. The designated employees pay the money received to the designated bank account of the Housing Authority on a daily basis or the following working day in case the day of receipt is Sunday or public holiday.

*(iii) Video surveillance*

We have installed closed-circuit television systems in the shroff offices of the estates for monitoring the cash handling process.

*(iv) Cash in transit*

Our designated employees are responsible for depositing the money received to the banks nearby. If the amount of money collected is substantial, we will arrange a specialist guard company to escort the money we have received to the banks nearby.

*(v) Cash reconciliation*

Each estate office compiles a reconciliation statement between total rents, rates or other charges received from tenants or licensees and the actual bank-in amount shown on the deposit slips issued by the banks or the specialist guard company on a daily basis. We submit such reconciliation statement together with the deposits slips to the Housing Authority on a daily basis.

To the best knowledge of our Directors, during the Track Record Period, we had not experienced any incident of misappropriation of cash by our employees in connection with cash handling or collection of rent, rates and charges from the tenants.

**Internal controls measures on the trust accounts held on behalf of the Housing Authority and Link REIT**

In relation to the trust accounts held on behalf of the Housing Authority and Link REIT for the divested estates and estate common area management funds, we have adopted the following internal control measures on operating and handling the trust accounts:

*(i) Collection and receipt of management fees in the trust accounts*

We submit official management fee invoice to the Housing Authority and Link REIT every month. Management fees from the Housing Authority and Link REIT are deposited into a separate and designated trust account via auto-pay or direct debit. Copy of the invoice register, bank statements and bank reconciliations of the estate common area, are submitted along side with other supporting documents or schedules to the Housing Authority part of the monthly reporting package for records.

*(ii) Outgoings or payments from the trust accounts*

All outgoings or payments from the trust accounts are requested by the Housing Authority. The Housing Authority prepares a payment instruction to the relevant estate office to make payments for a particular outgoing or operational expense. Upon receipt of the payment instruction, our estate office prepares a cheque for the designated purchase or expense. All cheque payments must be and signed by any two of the directors of Modern Living.

*(iii) Periodic reports and auditing of the financial accounts of the estate common area*

All transactions in relation to the trust bank accounts are recorded in a separate books of accounts. The estate office prepares a separate set of monthly financial accounts for the estate common area. The estate office compile a monthly reporting package, including financial accounts, budget variance, cash flow projection, bank statements, invoice register, cheque register and other supporting documents, to the Housing Authority for records. In addition, an independent external auditor is engaged to perform quarterly inspection and internal control review in these divested estates and estate common area management funds and the results of the inspection are reported to the Housing Authority and Link REIT.

To the best of our Directors' knowledge, during the Track Record Period, there had not been any adverse finding against us from the inspections by the Housing Authority and the independent internal auditor in relation to the estate common area management funds and the trust accounts reported to the Housing Authority and the Link REIT.

In addition, our Group has taken the following measures to ensure on-going compliance with various applicable laws and regulations and strengthen our internal controls:

- (a) A detailed memorandum prepared by our Company's Hong Kong legal advisers, setting out the ongoing regulatory requirements of our Directors after the Listing had been distributed to and reviewed by our Directors in July 2017.

## BUSINESS

- (b) Our Directors and members of the senior management of our Group attended training sessions conducted by our Company's Hong Kong legal advisers in July 2017 regarding the on-going obligations and duties of directors of a publicly listed company, including among others, sessions on responsibility of directors, continuing obligations of issuer, notifiable transactions, connected transactions, dealing in securities and codes of corporate governance.
- (c) Our Company has appointed Mr. Ng Fuk Wah as our company secretary, who is responsible for the day-to-day compliance matters of our Group. He is also responsible for monitoring the timing for convening annual general meetings of our Company.
- (d) An audit committee has been established to oversee the financial reporting, risk management and internal control systems of our Company for compliance with the requirements of the GEM Listing Rules.
- (e) Our Company has appointed Mr. Sung Alfred Lee Ming, an executive Director of our Company, as our compliance officer to assist our Board to oversee and monitor the due compliance with the relevant laws, rules and regulations applicable to our Group.
- (f) Our Company has appointed Ballas Capital as our compliance adviser to advise on compliance matters in accordance with the GEM Listing Rules upon the Listing.

In preparation of the Listing, we engaged an independent external consulting firm (the “**Internal Control Consultant**”) to review our internal control systems and procedures (the “**Internal Control Review**”) in June 2017. The Internal Control Consultant provided recommendations for our management's consideration to enhance our internal controls and procedures. We have taken actions to adopt the recommended measures and procedures to enhance our internal control system. The Internal Control Consultant performed a follow-up review in July 2017 to review the status of the management actions taken by our Group to address the recommendations of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultant raised no further recommendations in the Follow-up Review.

The Internal Control Review and the Follow-up Review were conducted based on the information provided by our Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Our Directors are of the view that the internal control measures adopted by our Group are adequate and effective in managing our business risks.

## PROPERTY

As at the Latest Practicable Date, we leased from an Independent Third Party one property situated at Units 1102-1103, 11th Floor, Delta House, No. 3 On Yiu Street, Sha Tin, New Territories, Hong Kong as our office, with a gross floor area of approximately 1,561 sq. ft., for a term of three years commencing on 5 July 2017 and expiring on 4 July 2020. We have also been granted licence by the Housing Authority to use the 25 estate offices as at the Latest Practicable Date.



## BUSINESS

As at the Latest Practicable Date, we did not own any property. We are therefore not required under rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (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 interests in land or buildings.

### INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we are applying for the registration of one trademark in Hong Kong and we had registered one domain name, **www.modernliving.com.hk**, which is material in relation to our business. For further information on intellectual property rights which are material to our business, please refer to the paragraph headed “B. Further information about the business of our Group — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Save for the trademarks and domain name disclosed in this prospectus, our business and profitability is not materially dependent on any trademark, patent, domain name or other intellectual property.

As at the Latest Practicable Date, we were not aware of any infringement (a) by us of any intellectual property rights owned by any third parties; or (b) by any third party of any intellectual property rights owned by us. During the Track Record Period, there had not been any pending or threatened claim made against us, nor have there been any claim made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

### COMPETITION

We compete with other property management companies in bidding for property management service contracts in the public sector. Our Directors believe that within the HA List of PSAs, which is subcategorised into Group PS1 and PS2, we are in direct competition with the other ten Group PS2 PSAs that are also on the HA List of PSAs as well as actively undertaking Housing Authority property management service contracts. Although these other ten management companies may vary in size, scope of services and financial standing, they are our potential competitors in the property management market especially in the public housing sector. Our Directors believe that the competition for new business in property management market is not keen with a steady growth in demand for property management services in Hong Kong especially for public housing. According to the Frost & Sullivan Report, we were the second largest property management service provider for public housing in Hong Kong in 2016, with a market share of 7.9% in terms of revenue.

For more information about the market of the property management business in Hong Kong, please refer to the section headed “Industry Overview” in this prospectus.

## **BUSINESS**

### **RESEARCH AND DEVELOPMENT**

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity. Our management team, however, remains attentive to keep abreast of the latest development in the property management industry.

### **INSURANCE**

To cover its risks in respect of the estates managed by us, we have in place a range of insurance policies that are vital or important to our operation including (i) employees' compensation insurance policy; (ii) public liability insurance policy; and (iii) office insurance policy.

The employees' compensation insurance policy which we maintain is in accordance with the Employees' Compensation Ordinance and covers the liability to make any payment in respect of the death, injury or disability of our employees in the course of their employment in Hong Kong. The limit of indemnity is HK\$100 million for any one claim for premises having less than 200 employees or HK\$200 million for any one claim for premises having 200 or more employees.

As at the Latest Practicable Date, our limit on public liability insurance policy is HK\$25 million in any one claim and unlimited amount for any one period of insurance. The policy covers the liability in respect of any bodily injury or property damage claim arising from or related to the provision of services and caused by the negligent acts or omissions of us and our employees.

We also maintain an office insurance policy, covering the liability for any loss or damage suffered by third parties or to property of third parties caused at principal place of business of our Group with the limited of indemnity of HK\$500,000 for one claim.

### **LITIGATION AND POTENTIAL CLAIMS**

In carrying out our ordinary course of business, our Group is subject to the risk of being sued or named as a defendant in legal actions, claims and disputes. The nature of the legal proceedings initiated against our Group generally include (i) claims for employees' compensation by our Group's employees; (ii) claims for personal injuries; and (iii) labour disputes.

During the Track Record Period and as at the Latest Practicable Date, Modern Living has been named as a respondent in a District Court action, which was brought by a former employee. The former employee was diagnosed with flu, which she claimed to be a "disability" under the definition of the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong). She alleged that Modern Living treated her less favourably and dismissed her due to the alleged disability, violating the Disability Discrimination Ordinance. She claimed damages of a sum of approximately HK\$91,000 with interests, punitive damages, costs of the litigation and any further relief. If it is held by the Court that we are liable to compensate the former employee, given the expected loss of our Company for FY2017 due to the recognition of listing expenses, our Directors are of the view that this claimed amount may potentially further increase the loss of our Group for FY2017.

## BUSINESS

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim of material importance and, so far as our Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group as at the Latest Practicable Date.

Our Group maintains a range of insurance policies in its own name to protect our Group against legal or other business risks. In particular, our Group maintains employees' compensation policy. The Housing Authority also maintains public liability insurance policy for all of the estates managed by our Group. Our Directors believe that any material claims concerning personal injuries sustained by the employees or third party claimants should be adequately covered by the insurance maintained by our Group and the Housing Authority.

For FY2015, FY2016 and 4M2017, our Group was not required to make any provision in its financial statements for litigations and various claims because our Directors consider that all material litigation cases and claims could be adequately covered by our insurance. During the Track Record Period and up to the Latest Practicable Date, we settled 16 claims, including 10 employees' compensation claims, five personal injuries claims and one labour dispute. The total settlement amount and legal costs involved amounted to approximately HK\$4.2 million, which was substantially covered by our insurance.

### **NEGATIVE PRESS REPORT ALLEGING OUR CIRCUMVENTION OF A HIGHER LEVEL OF APPROVAL OF THE HOUSING AUTHORITY**

In February 2017, there was a negative press report alleging that Modern Living was involved in corruption with the staff of the Housing Authority in relation to 13 construction projects valued at HK\$8.5 million, including splitting of the construction projects into smaller works orders in order to circumvent a higher level of approval by the Housing Authority.

We deny the allegations in the press report. The 13 construction projects stated in the press report relate to the replacement of doors in public areas and the renovation of tiles in Kwai Fong estate, which were necessary in light of the condition of the estate. All of the relevant repair and maintenance works, proposed budgets and works orders were approved by the Housing Authority in accordance with the relevant procedures and guidelines laid down by the Housing Authority. We confirmed that, in light of the necessity of the repair and maintenance works, at the relevant time we foresaw no difficulty in obtaining the approval even if all the relevant construction projects were aggregated and required approval by an officer of the Housing Authority at a higher rank.

The Housing Authority is aware of the allegations in the press report and had made enquiries to Modern Living, and Modern Living had then submitted reports to the Housing Authority to explain the incident. The Housing Authority took no further action in relation to the incident thereafter.

For the risk involved, please refer to the paragraph headed "Risk Factors — Negative press report alleging our circumvention of a higher level approval of the Housing Authority" in this prospectus.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

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), our Company will be owned as to 61.43% by R5A Group Limited. R5A Group Limited is owned as to approximately 55.23% by Ms. Tam, 16.28% by Mr. Sung, 13.96% by Mr. C. M. Ho, 12.79% by Mr. Tang, 1.16% by Mr. T. W. Ho and 0.58% by Mr. Yiu, respectively. As R5A Group Limited and Ms. Tam will be directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company immediately following the Listing, each of R5A Group Limited and Ms. Tam shall be regarded as a Controlling Shareholder under the GEM Listing Rules. In addition, on the basis that Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu hold their respective interest in our Company through a common investment holding company with Ms. Tam, namely, R5A Group Limited, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu are regarded as a group of Controlling Shareholders of our Company together with Ms. Tam and R5A Group Limited.

Ms. Tam is a non-executive Director of our Company and Mr. Sung, Mr. C. M. Ho and Mr. Tang are executive Directors of our Company. Mr. Yiu is a director of Modern Living and a member of the senior management of our Group and Mr. T. W. Ho is a founding shareholder and an employee of Modern Living. On 23 June 2017, R5A Group Limited was incorporated in BVI with limited liability and was set up as a corporate shareholder of our Company. Ms. Tam, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu became shareholders of R5A Group Limited on 6 July 2017 as part of the Reorganisation. For details of the background of each of the Controlling Shareholders, please refer to the sections headed “History, Reorganisation and Group Structure” and “Directors, Senior Management and Staff” in this prospectus.

### Companies disposed of by Ms. Tam during the Track Record Period

During the Track Record Period, Ms. Tam was interested in a group of companies other than members of our Group which engage in the provision of property management service to private properties in Hong Kong. Ms. Tam had subsequently disposed of her interests in those companies to an Independent Third Party in March 2016 in order to devote more time and efforts to our Group’s business and to avoid any conflict of interest between those companies and our Group. Such disposal was based on arm’s length negotiation for monetary consideration and was completed in March 2016. Since the disposal of those companies, those companies have become independent entities from Ms. Tam and our Group. Ms. Tam confirms that each of those disposed companies had no material non-compliance and had not been involved in any material claims or legal proceedings against any of them during the Track Record Period up to the date of disposal. If the financial results of the disposed companies up to the end of March 2016 were included in our Group, our Directors further confirm that our Company would be able to meet the operating cash-flow requirement under Rule 11.12A(1) of the GEM Listing Rules.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

#### (i) Financial independence

Our Directors consider that our Group will be financially independent of our Controlling Shareholders and any of their respective close associates upon Listing. All loans due to our Shareholders will be fully settled before the Listing by drawdown of our existing banking facilities, and that all guarantee provided by certain Directors and Shareholders for our Group's borrowing (for details, please refer to the section entitled "Financial Information — Indebtedness" in this prospectus) will be fully released upon the Listing. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing. Our Directors are satisfied that we are capable of conducting our business independently from any of our Controlling Shareholders (including their respective close associates) after our Company is listed on the Stock Exchange.

In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors consider that our Group will have sufficient capital for its financial needs. Our Directors further consider that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders or their respective close associates.

#### (ii) Operational independence

We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. Our Group is able to operate independently from our Controlling Shareholders after the Listing. Our Group has also established a set of internal control policy to facilitate the effective operation of our business.

Our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

In addition, we have obtained all necessary licences for our business operation and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

#### (iii) Management independence

We have an independent management team comprising our executive Directors and senior management who have substantial experience in our business. Our management team is able to implement our Group's policies and strategies and performs its roles in our Company independently.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We aim at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board consists of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include approving our overall business plans and strategies, monitoring the implementation of these plans and strategies and the overall management of our Group.

Our Company will have five common directors with R5A Group Limited, namely Ms. Tam, Mr. Ng, Mr. Sung, Mr. C. M. Ho and Mr. Tang. Despite the common directorship, our Company believes that management independence between our Company and R5A Group Limited will be maintained as R5A Group Limited is an investment holding company, the only significant business interest of which is our Group. Further, each of our Directors is aware of his/her fiduciary duties as a director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and Shareholders as a whole, and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interests 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 the quorum.

Our Board and the senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders and our Company as a whole after the Listing without reference to our Controlling Shareholders.

### COMPETING BUSINESS

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### DEED OF NON-COMPETITION

In connection with the Share Offer, each of our Controlling Shareholders (collectively, the "Covenantors" and each a "Covenantor") entered into the Deed of Non-Competition with our Company pursuant to which the Covenantors have, among other things, irrevocably and unconditionally undertaken with our Company (for itself and as trustee for its subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), each of the Covenantors shall not, and shall procure that neither their respective associates nor companies controlled by the Covenantors (other than the members of our Group) will, (i) directly or indirectly, be interested in or involved in or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder (other than being a director or shareholder of any member of our Group)) in any form of business, including any joint venture, alliance, cooperation, partnership which competes or is likely to compete directly or indirectly with the business carried on or contemplated to be carried on by our Group from time to time, including the provision of property management services, security services and cleaning services in Hong Kong (the "Restricted Activity"); nor provide support in any form to persons other than the members of our Group to engage in business that constitute or may constitute direct or indirect

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

competition with the businesses that our Group is currently and from time to time carrying on; (ii) solicit any existing employee of our Group for employment by him/her/it or his/her/its close associates or companies controlled by him/her/it; and (iii) without the consent of our Company, make use of any information pertaining to the business of our Group which may have come to his/her/its knowledge for any purpose of engaging, investing or participating in any Restricted Activity.

Such non-competition undertaking does not apply to holding shares of a company which conducts or is engaged in any Restricted Activity, provided that, such shares are listed on a recognised stock exchange and: (a) the total number of the shares held by the Covenantors and/or their respective associates (in aggregate) does not amount to more than 5% of the issued shares of such company; and (b) the Covenantors and/or their respective associates are not entitled to appoint a majority of the directors or management of that company.

Under the Deed of Non-Competition, the Covenantors further undertake to our Company the following:

- (i) in the event the Covenantors or any of their associates (other than members of our Group) are given any business opportunities that is or may involve direct or indirect competition with the business of our Group, the Covenantors shall refer the business opportunity to our Group as soon as practicable and shall assist our Group to obtain such business opportunity in the terms being offered to any of the Covenantors or their associates;
- (ii) during the term of the Deed of Non-Competition, each of the Covenantors shall indemnify and keep indemnified our Company and other members of our Group against any loss or liability suffered by our Company and/or other members of our Group arising out of any breach of any of the Covenantors' undertakings under the Deed of Non-Competition, including any costs and expenses (including legal expenses) incurred as a result of such breach provided that the indemnity contained in this paragraph shall be without prejudice to any of the other rights and remedies of our Company or any members of our Group in relation to any such breach;
- (iii) the Covenantors shall allow the independent non-executive Directors to review, at least on an annual basis, the compliance with the terms of the Deed of Non-Competition by the Covenantors, and the options, pre-emptive rights or first rights of refusals provided by the Covenantors on their existing or future competing businesses;
- (iv) the decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Competition (including without limitation the exercise of options or first rights of refusal, if any) shall be disclosed either through the annual report of our Company, or by way of announcements published by our Company to the public;
- (v) any new business opportunities under the Deed of Non-Competition and all other matters determined by our Board as having a potential conflict of interest with the Covenantors will be referred to the independent non-executive Directors of our Company for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial advisor to advise them on these matters. In the event any new business opportunities presented by or otherwise arising in connection with any of the Covenantors are



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

turned down by our Group according to the Deed of Non-Competition, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company;

- (vi) the annual report of our Company will include the views and decisions, with bases, of the independent non-executive Directors of our Company on whether to take up any new opportunities under the Deed of Non-Competition or other matters having a potential conflict of interest with the Covenants that have been referred to the independent non-executive Directors;
- (vii) the Covenants shall, upon demand, promptly provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (viii) the Covenants shall make an annual declaration on compliance with the Deed of Non-Competition in the annual report of our Company; and
- (ix) when any business opportunity is referred to any members of our Group by any Covenants, the independent non-executive Directors will consider such opportunity on various aspects including viability and profitability. If any Covenantor is materially interested in such opportunity, then that Covenantor who has referred such business opportunity to the member of our Group shall not be counted in the quorum and must abstain from voting on matters relating to such business opportunity when such business opportunity is being considered at the board meeting.

The Covenants shall be entitled to pursue business opportunity that is or may involve direct or indirect competition with the businesses of our Group only after such business opportunity is being turned down by our Group as set out in paragraph (v) above.

Where the Covenants and/or their close associates (other than our Group) have acquired any business investment or interest in any entity relating to the Restricted Activity pursuant to the Deed of Non-Competition, the relevant Covenants and/or their close associates (other than our Group) shall provide our Group with pre-emptive right (“**Pre-emptive Right**”) to acquire any such interest in Restricted Activity under the same circumstances. Where the independent board committee of our Company decides to waive the Pre-emptive Right by way of written notice, the relevant Covenants and/or their close associates (other than our Group) may offer to sell such business investment or interest in the Restricted Activity to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the above Pre-emptive Right, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

For the above purpose, the “Relevant Period” means the period commencing on the Listing Date and expiring on the earlier of (i) the date upon which the Shares cease to be listed on the Stock Exchange; or (ii) the date upon which the Covenants and their associates cease to own 30% or more of the then issued share capital of our Company directly or indirectly.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### CORPORATE GOVERNANCE MEASURES

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

- (1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-Competition to ensure compliance with the non-competition undertaking by our Controlling Shareholders;
- (2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (3) our Company will disclose decision and its basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition in the annual reports of our Company or by way of announcement to the public;
- (4) our Controlling Shareholders have undertaken to provide an annual confirmation to our Company confirming that each of our Controlling Shareholders and his/her/its close associates have not breached the terms of the undertakings contained in the Deed of Non-Competition; and
- (5) our Controlling Shareholders will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests in relation to the Restricted Activity.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### DIRECTORS

Our Board consists of nine members, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our businesses. The table below sets out certain information in respect of our Directors:

Name	Age	Position	Date of joining our Group <i>(Note)</i>	Date of appointment as a Director	Responsibilities	Relationship with other Director(s) and/or senior management
Mr. Ho Chu Ming (何柱明)	58	Chairman and executive Director	1 January 2005	6 July 2017	Overall management and supervision of operations of our Group	Nil
Mr. Ng Fuk Wah (吳福華)	58	Executive Director and chief executive officer	31 July 2007	6 July 2017	Overall business development, strategic planning and major decision-making of our Group	Spouse of Ms. Tam
Mr. Sung Alfred Lee Ming (宋理明)	59	Executive Director and chief financial officer	30 April 2007	26 June 2017	Responsible for our Group's treasury, accounting, finance and compliance matter	Nil
Mr. Tang Kong Fuk (鄧降福)	51	Executive Director	1 December 2002	6 July 2017	Maintenance management of the public housing estates	Nil
Ms. Tam Mo Kit (譚慕潔)	58	Non-executive Director	30 April 2007	6 July 2017	Strategic planning and financial planning of our Group	Spouse of Mr. Ng
Mr. Tam Kam Cheung Patrick (譚錦章)	66	Non-executive Director	6 July 2017	6 July 2017	Strategic planning of our Group	Nil

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Date of joining our Group <i>(Note)</i>	Date of appointment as a Director	Responsibilities	Relationship with other Director(s) and/or senior management
Dr. Chan Man Wai (陳文偉)	61	Independent non-executive Director	24 October 2017	24 October 2017	Provision of oversight and independent judgment. As the chairman of our Nomination Committee and a member of our Audit Committee and Remuneration Committee	Nil
Mr. Wong Siu Fai Albert (黃紹輝)	57	Independent non-executive Director	24 October 2017	24 October 2017	Provision of oversight and independent judgment. As the chairman of our Audit Committee and a member of our Nomination Committee and Remuneration Committee	Nil
Mr. Ng Kee Fat Ronny (吳紀法)	70	Independent non-executive director	24 October 2017	24 October 2017	Provision of oversight and independent judgment. As the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee	Nil

*Note:* The date of joining our Group in this table above includes the dates of joining members of our Group prior to the reorganisation of such members into our Group.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### SENIOR MANAGEMENT

The table below shows certain information in respect of our senior management:

Name	Age	Position	Date of joining our Group <i>(Note)</i>	Relationship with other Director(s) and/or senior management
Ms. Lau Wai Kay Vicky (劉慧琪)	45	Business development and Administration Manager	4 October 2016	Nil
Ms. Lo Mei Yee (盧美儀)	43	Personnel and Administration Manager	20 July 2009	Nil
Mr. Yun Kwok King (殷國經)	62	Senior Property Manager	18 May 2007	Nil
Ms. Chan Kwai Chu (陳桂珠)	54	Senior Property Manager	1 October 2014	Nil
Mr. Yiu Ping Keung (姚炳強)	56	Regional Technical Manager (Building Works)	20 February 2003	Nil
Ms. Chan Nga Shuen (陳雅旋)	29	Registered Safety Officer	17 May 2010	Nil

*Note:* The date of joining our Group in this table above includes the dates of joining members of our Group prior to the reorganisation of such members into our Group.

The biographies of our Directors are set out as follows:

#### Executive Directors

**Mr. Ho Chu Ming (何柱明)**, aged 58, was appointed as a Director of our Company on 6 July 2017 and was designated as an executive Director and the chairman of the Board of our Company on 14 July 2017. Mr. C. M. Ho is also one of our Controlling Shareholders. As the chairman of our Board, he is responsible for strategic planning and the overall management and supervision of operations of our Group. Mr. C. M. Ho is a director of Modern Living Investments and Modern Living.

Mr. C. M. Ho has over 24 years of experience in the property management and maintenance industries. From August 1992 to May 2003, Mr. Ho worked in the Housing Department as a maintenance surveyor. From July 2003 to December 2004, he worked in Easy Living Property Management Limited as a maintenance specialist. Mr. C. M. Ho then joined our Group in January 2005 as an estate maintenance manager. From June 2007 to May 2014, Mr. C. M. Ho served as a senior estate maintenance manager. Since June 2014, Mr. C. M. Ho has served as the assistant general manager of Modern Living.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. C. M. Ho obtained a bachelor's degree in building technology and management from The University of Salford, the United Kingdom, in July 1986. He became a professional associate of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors in October 1987 and March 1989, respectively.

A defunct, solvent private company which meets the statutory requirements may be dissolved by way of a summary procedure called deregistration under section 291AA of the Predecessor Companies Ordinance. Mr. C. M. Ho was the director of the following company which was incorporated in Hong Kong and was deregistered and the relevant details are as follows:

Name of company	Principal business activity prior to the dissolution	Date of application for dissolution	Date of dissolution	Reason for the dissolutions
Jaco Consultants Limited	No business operation	19 April 2004	27 August 2004	Cessation of business

Mr. C. M. Ho confirmed that, as at the Latest Practicable Date, no claim has been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolutions of the above dissolved company. Mr. C. M. Ho also confirmed that the above dissolved company was solvent at the time of its dissolutions.

**Mr. Ng Fuk Wah (吳福華)**, aged 58, was appointed as a Director of our Company on 6 July 2017 and was designated as an executive Director and the chief executive officer of our Company on 14 July 2017. Mr. Ng is also our company secretary. Mr. Ng is the spouse of Ms. Tam, a non-executive Director. Mr. Ng is responsible for overall business development, strategic planning and major decision-making of our Group. Mr. Ng is a director of Modern Living Investments.

Mr. Ng has over 23 years of experience in the property management industry. Mr. Ng had been the general manager of Grand View Property Management Limited from October 1993 to June 2009. Mr. Ng joined Modern Living in July 2007 as an adviser, and he has been the general manager of Modern Living since August 2009.

Mr. Ng obtained a professional diploma in accountancy from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983 and obtained a diploma in housing management from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in September 2002. Mr. Ng was admitted as a member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in October 1986. He was admitted as a member of the Hong Kong Institute of Housing in December 2002 and was registered as a professional housing manager of the Housing Managers Registration Board in August 2003.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Ng was a director of the following companies, which were dissolved or wound-up (but not due to member's voluntary winding-up) with details as follows:

Name of company	Nature of business	Date of dissolution or winding up	Details
Wai Sing Metal Company Limited (“ <b>Wai Sing</b> ”)	Trading of metal hardware	18 March 1992	The company was compulsory wound-up by creditors due to insolvency.
HW Securities Company Limited (“ <b>HW Securities</b> ”)	Trading of securities	9 May 1992	The company was compulsory wound-up by creditors due to insolvency.

Mr. Ng confirmed that there is no wrongful act on his part leading to the above dissolution and winding-up of the companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution and winding-up of these companies.

Mr. Ng was adjudged bankrupt by virtue of the bankruptcy order made by the High Court of Hong Kong on 14 September 1993 as a result of bankruptcy petition made by Nanyang Commercial Bank Limited (the “**Creditor**”) against him dated 31 May 1993 for his default in repayment of a loan (the “**Loan**”) granted by the Creditor which was guaranteed by Mr. Ng on a joint and several basis. The Official Receiver and Trustee of Mr. Ng were discharged by an order of the High Court of Hong Kong on 29 November 1996.

Our Company confirms that the Loan was not incurred in the course of any business carried on by Mr. Ng. In view of the fact that the respective business nature of Wai Sing and HW Securities are different from that of our Company and the circumstances of the Loan and the discharge of Mr. Ng's bankruptcy in 1996, as well as his contribution to the success of our Group, our Directors believe that Mr. Ng has the character, experience and integrity to act as a Director and will be able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer as required under the GEM Listing Rules.

**Mr. Sung Alfred Lee Ming** (宋理明), aged 59, was appointed as a Director of our Company on 26 June 2017 and was designated as an executive Director and appointed as the chief financial officer of our Company on 14 July 2017. Mr. Sung is one of our Controlling Shareholders and our compliance officer. Mr. Sung is primarily responsible for our Group's treasury, accounting, finance and compliance matters. He joined our Group in April 2007. Mr. Sung is a director of Modern Living Investments and Modern Living.

Mr. Sung has over 30 years of experience in accounting and assurances, specialising in the industries of property management and information technology. Prior to joining our Group, Mr. Sung served as an audit junior at Price Waterhouse (currently known as PricewaterhouseCoopers) in Hong Kong from November 1983 to April 1985, as an auditor at Deloitte Haskins & Sells (presently known as Deloitte Touche Tohmatsu) in Melbourne from July 1985 to March 1989, and as a manager at Coopers

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

& Lybrand (currently known as PricewaterhouseCoopers) in Hong Kong from May 1989 to May 1990, following which, he served as a partner of Sung Fung & Co. from 1991 to 1996 and Sung Fung Tam & Co. from 1997 to 1998, both of them are accounting firm in Hong Kong. Since 1999 until now, Mr. Sung has been the sole proprietor of Alfred Sung & Co., primarily responsible for overseeing audit and taxation works.

From April 2012 to October 2014, Mr. Sung served as an independent non-executive director of TC Orient Lighting Holdings Limited (Stock Code: 515), a company listed on the Main Board of the Stock Exchange which is principally engaged in manufacturing and trading of LED lighting, and singlesided, doubled-sided and multi-layered printed circuit boards and was primarily responsible for supervising and providing independent advice to the board of this company.

Mr. Sung was admitted as a member and fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in December 1987 and February 1995, respectively. Besides, he was also admitted as an associate of the Australian Society of Certified Practising Accountants (currently known as CPA Australia) and the Institute of Chartered Accountants in Australia (currently known as the Chartered Accountants Australia and New Zealand) in March 1986 and April 1989 respectively. Mr. Sung received his bachelor of economics from La Trobe University in Australia in March 1984.

Mr. Sung was also the director of the companies listed below, which were incorporated in Hong Kong and were dissolved by deregistration by Registrar of Companies in Hong Kong pursuant to section 291AA of the Predecessor Companies Ordinance or section 751 of the Companies Ordinance (as the case may be):

Name of companies	Principal business activity prior to the dissolution	Date of Application for dissolution	Date of dissolution	Reason for the dissolutions
Diamond Towers Limited	Trading	9 September 2010	29 January 2010	Cessation of business
Austria Asia International Trading Limited	No business operation	5 November 2015	24 March 2016	No business operation commenced since its incorporation
Sino Tender Limited (中濠有限公司)	Property holding	13 August 2009	31 December 2009	Cessation of business
Wise Richly Limited (緯萬有限公司)	Property holding	21 January 2009	5 June 2009	Cessation of business
Tyin Group Holdings Limited	No business operation	9 May 2016	23 September 2016	No business operation commenced since its incorporation
Loovee Holdings Limited (樂唯控股有限公司)	No business operation	8 June 2016	21 October 2016	No business operation commenced since its incorporation

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Sung was also the director of the company listed below, which was incorporated under the laws of the State of Nevada and was deregistered:

Name of company	Principal business activities prior to the deregistration	Date of deregistration	Reason for the deregistration
Lightscape Technologies, Inc.	(i) digital out-of-home advertising and (ii) light-emitting diode solutions	23 August 2010	Cessation of business

Mr. Sung confirmed that, as at the Latest Practicable Date, no claim has been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolutions of the above dissolved companies. Mr. Sung also confirmed that all of the above dissolved companies were solvent at the time of their dissolutions.

**Mr. Tang Kong Fuk (鄧降福)**, aged 51, was appointed as a Director of our Company on 6 July 2017 and was designated as an executive Director on 14 July 2017. Mr. Tang is one of our Controlling Shareholders. Mr. Tang is primarily responsible for the maintenance management of the public housing estates. Mr. Tang is a director of Modern Living Investments and Modern Living.

Mr. Tang has over 28 years of experience in the real estate and maintenance management industries. Mr. Tang served as works supervisor (construction) of the Housing Department from April 1989 to January 1995, and worked as an assistant clerk of works of the Housing Department from January 1995 to December 2002. Mr. Tang joined Modern Living in December 2002, following which he served successively as a senior maintenance officer (building works) and assistant maintenance manager (building works). Since June 2014, Mr. Tang is the regional technical manager (building works) of Modern Living.

Mr. Tang graduated from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) with a higher certificate in building studies in November 1987.

### Non-executive Directors

**Ms. Tam Mo Kit (譚慕潔)**, aged 58, was appointed as a Director of our Company on 6 July 2017 and was designated as a non-executive Director on 14 July 2017. Ms. Tam is one of our Controlling Shareholders. Ms. Tam is the spouse of Mr. Ng, an executive Director and the chief executive officer of our Company. Ms. Tam is responsible for strategic planning and financial planning of our Group. Ms. Tam is a director of Modern Living Investments and Modern Living.

Ms. Tam has over 30 years of experience in accounting and financing. From October 1979 to September 1980, she was working in Peat, Marwick, Mitchell & Co. (currently known as KPMG) as an audit clerk. From July 1983 to February 1985, she rejoined the same firm and was promoted to accountant. From February 1985 to December 1987, she was an accountant in China Hewlett Packard Co. Ltd. From January 1988 to May 1989, she was a treasury accountant of the Government. From March 1990 to February 1993, she was a financial controller of Grand View Property Management Limited. From March 1994 to July 1995, she was an accountant of SCSI in Australia. From September



## DIRECTORS, SENIOR MANAGEMENT AND STAFF

1995 onwards, she was working in The Chinese University of Hong Kong as a senior accountant, then a finance manager and currently a senior finance manager. Ms. Tam joined Modern Living in April 2007 and has been a director of Modern Living since then.

Ms. Tam obtained a professional diploma in accountancy from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983. Ms. Tam was admitted as an associate member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since October 1985.

Ms. Tam was also the director of the companies listed below, which were incorporated in Hong Kong and were dissolved by deregistration by Registrar of Companies in Hong Kong pursuant to section 291AA of the Predecessor Companies Ordinance:

A defunct, solvent private company which meets the statutory requirements may be dissolved by way of a summary procedure called deregistration under section 291AA of the Predecessor Companies Ordinance. Ms. Tam was the director of the following companies which were incorporated in Hong Kong and were deregistered and the relevant details are as follows:

Name of companies	Principal business activity prior to the dissolution	Date of Application for dissolution	Date of dissolution	Reason for the dissolutions
Powerwave Software Limited	Trading of education softwares	21 September 2004	28 January 2005	Cessation of business
Grand View Electrical Appliances Limited	Trading of electrical appliances	3 August 2002	13 December 2002	Cessation of business
Grand View Travel Services Limited	Licensed travel agent	14 January 2010	28 May 2010	Cessation of business

Ms. Tam confirmed that, as at the Latest Practicable Date, no claim has been made against her and she was not aware of any threatened and potential claims made against her as a result of the dissolutions of the above dissolved companies. Ms. Tam also confirmed that all of the above dissolved companies were solvent at the time of their dissolutions.

**Mr. Tam Kam Cheung Patrick (譚錦章)**, aged 66, was appointed as a Director on 6 July 2017 and was designated as a non-executive Director on 14 July 2017. He is primarily responsible for strategic planning of our Group.

Mr. Tam has over 28 years of experience in corporate affairs. From March 1975 to August 1977, Mr. Tam worked in the Kam Ngan Stock Exchange (金銀證券交易所有限公司) and from September 1977 to April 1979, he was the company secretary of the Hong Kong Commodity Exchange respectively. Mr. Tam then started his new career in the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in March 1987 as an assistant registrar, following which he successively served as an assistant director (China affairs), director of operations, director of corporate affairs, director of admission, mainland & corporate affairs, director, member & corporate

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

services. Mr. Tam retired from the Hong Kong Institute of Certified Public Accountants in September 2015 and his last position was director, corporate & mainland affairs. He completed his secondary school education in Wah Yan College, Hong Kong in 1968.

We believe that Mr. Tam could proactively assist our Company by providing strategic planning and corporate governance advice to our Company as he has gained relevant experience during his employment at the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants). Given his expected involvement as we expect Mr. Tam to provide such strategic planning and corporate governance advice to our Company on a periodic basis, Mr. Tam was appointed as a non-executive Director instead of an independent non-executive Director. Our Company confirms that even if Mr. Tam were to be appointed as an independent non-executive Director, there would have been no independence concern which would hinder Mr. Tam from acting as an independent non-executive Director.

### Independent Non-executive Directors

**Dr. Chan Man Wai (陳文偉)**, aged 61, was appointed as an independent non-executive Director on 24 October 2017. He is primarily responsible for providing independent advice to our Board.

Dr. Chan has over 30 years of experience in the real estate industry. In January 2016, Dr. Chan became the Professor of Practice (Programme Management) of the Department of Building & Real Estate of The Hong Kong Polytechnic University. Prior to joining The Hong Kong Polytechnic University, Dr. Chan worked in the following organisations:

Name of company	Principal business activities	Position	Period of services
Vigers Hong Kong	Surveying and project management	Partner	August 1979– July 1987
Toronto Real Estates Board	Real estate	Real estates agent	July 1988– July 1989
B. H. Levelton & Associates Limited	Building science	Manager of building science	August 1989– December 1990
The Hong Kong Polytechnic University	Teaching, consultancy and research on building surveying, urban and land economics, project finance and facilities management	Associate professor/ senior lecturer/ course leader	January 1991– August 1997
Hospital Authority	Project management	Executive manager (capital works)	September 1997– December 1999

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name of company	Principal business activities	Position	Period of services
The Hong Kong Institute of Education (currently known as the Education University of Hong Kong)	Campus planning, development and facility management	Director of estates	January 2000– October 2004
Hong Kong Baptist University	Campus planning, development and facility management	Director of estates	October 2004– January 2007
Hong Kong Science and Technology Parks Corporation	Planning and project management	Vice president (projects & facilities)	January 2007– April 2010
West Kowloon Cultural District Authority	Projects and facilities management	Executive director (project delivery)	May 2010– October 2016

Dr. Chan graduated with a bachelor's degree in building surveying (commendation) from Leicester Polytechnic (currently known as De Montfort University), the United Kingdom in 1979. Dr. Chan also obtained a master degree in construction project management and doctor of philosophy, both from The University of Hong Kong in 1988 and 1998, respectively. Dr. Chan obtained his master degree of international and public affair from The University of Hong Kong in 2002. Dr. Chan also obtained a master degree in major programme management from the University of Oxford (St. Catherine's College), the United Kingdom in 2016.

In June 1982 and October 1989, Dr. Chan was admitted as an associate and a fellow of the Royal Institution of Chartered Surveyors, respectively. He also became a registered authorised person (under the List of Surveyors) of the Building Authority, Hong Kong in August 1983. Dr. Chan has further been admitted as a member and fellow of the Hong Kong Institute of Surveyors in August 1984 and April 1992, respectively. Since April 1993, Dr. Chan is a registered professional surveyor in building surveying division of Hong Kong. Dr. Chan was admitted as a member of Canadian Institute of Quantity Surveyors and a fellow of the Hong Kong Institute of Facility Management in January 1991 and August 1999, respectively.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Dr. Chan was the director of the company listed below, which was incorporated in Hong Kong and was dissolved by striking off by the Registrar of Companies in Hong Kong as defunct company pursuant to section 291 of the Predecessor Companies Ordinance.

Name of company	Principal business activity prior to dissolution	Date of dissolution	Reason for the dissolutions
Charter Glory Limited	Consultancy service	25 April 2003	Inactive and no business activities

Dr. Chan confirmed that, as at the Latest Practicable Date, no claim has been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolutions of the above dissolved company. Dr. Chan also confirmed that the above dissolved company was solvent at the time of its dissolutions.

**Mr. Wong Siu Fai Albert (黃紹輝)**, aged 57, was appointed as an independent non-executive Director on 24 October 2017. He is primarily responsible for providing independent advice to our Board. Mr. Wong is currently an executive director, the chief financial officer and the secretary of Walcom Group Limited, a company listed on AIM of the London Stock Exchange since December 2006. He has over 32 years of experience in corporate finance and accounting work for various business-consulting companies and audit firms.

From August 1983 to July 1986, Mr. Wong was working in Price Waterhouse (currently known as PricewaterhouseCoopers) as an audit assistant, and from July 1986 to November 1986, he was promoted to senior accountant at the same firm. From November 1986 to June 1988, Mr. Wong was the group chief accountant of C.I.M. & Associates Limited. From July 1988 to December 1998, he was a director-finance of Faiton Industrial Limited. From February 1999 to December 2005, Mr. Wong was working as a self-employed accounting adviser, providing corporate finance and accounting advisory service to his clients.

From June 2006 to October 2014, Mr. Wong served as an independent non-executive director of TC Orient Lighting Holdings Limited (Stock Code: 515), a company listed on the Main Board of the Stock Exchange which is principally engaged in manufacturing and trading of LED lighting, and single-sided, doubled-sided and multi-layered printed circuit boards and was primarily responsible for supervising and providing independent advice to the board of this company.

Mr. Wong obtained an honours diploma in accounting (Distinction) in Hong Kong Baptist College (currently known as Hong Kong Baptist University) in June 1983. He has been a member of the Institute of Chartered Accountants in England and Wales since January 2008, an associate member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since February 1987 and a fellow member of the Hong Kong Institute of Certified Public Accountants since February 2008.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Wong was also the director of the companies listed below, which were incorporated in Hong Kong and were dissolved by deregistration by Registrar of Companies in Hong Kong pursuant to section 291AA of the Predecessor Companies Ordinance or section 751 of the Companies Ordinance (as the case may be):

Name of companies	Principal business activity prior to the dissolution	Date of Application for dissolution	Date of dissolution	Reason for the dissolutions
L.V.O. Property Consultants Limited	Property consultancy	26 July 2001	7 December 2001	Cessation of business
La Nice Hotel Group Limited	No business operations	26 May 2008	10 October 2008	No business operations since its incorporation
Nedaxy Investments Limited	Investment holding	13 April 2002	23 August 2002	Cessation of business
Sino Tender Limited	Property holding	13 August 2009	31 December 2009	Cessation of business

Mr. Wong was also a director of the company listed below, which was incorporated in Hong Kong and was dissolved by striking off by the Registrar of Companies in Hong Kong as defunct company pursuant to section 291 of the Predecessor Companies Ordinance:

Name of company	Principal business activity prior to the dissolution	Date of dissolution	Reason for the dissolution
Fullness Limited	No business operations	23 August 2002	No business operations since its incorporation

Mr. Wong was also a director of the companies listed below, and due to lapse of time he cannot recall the principal business activities of the companies prior to dissolution and the respective dates of dissolution of the companies:

Company Name	Place of Incorporation
Grace Luck Limited	BVI
Peipus Worldwide Limited	BVI
Profit Access Group Limited	BVI
Tinkerbelle Services Limited	BVI
Winlok Assets Management Limited	Samoa

Mr. Wong confirmed that, as at the Latest Practicable Date, no claim has been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolutions of the above dissolved companies. Mr. Wong also confirmed that all of the above dissolved companies were solvent at the time of their dissolutions.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

**Mr. Ng Kee Fat Ronny** (吳紀法), aged 70, was appointed as an independent non-executive director on 24 October 2017. He is primarily responsible for providing independent advice to our Board.

Mr. Ronny Ng was a former employee of the Housing Department. He has 38 years of experience in property management of PRH estates and shopping centres. Mr. Ronny Ng retired from the Housing Department in January 2007 and his last position was senior housing manager.

Mr. Ronny Ng was a fellow of Chartered Institute of Housing from June 1991 to March 2006 and member of Hong Kong Institute of Housing from 1993 to 2006. Mr. Ronny Ng is also a registered professional housing manager from 2000 to 2007. He was awarded the Medal of Honour by the Government in 2006. Mr. Ronny Ng completed the certificate course in Housing Management offered by the Department of Extra-mural Studies of the University of Hong Kong in 1978.

Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, Controlling Shareholders, or senior management of our Company; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

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

### SENIOR MANAGEMENT

The biographies of our senior management are set out as follows:

**Ms. Lau Wai Kay Vicky** (劉慧琪), aged 45, is the business development and administration manager of our Group. She joined our Group on 4 October 2016 and is primarily responsible for business development and administration matters of our Group. Ms. Lau has over 16 years of experience in business development in various industries, including property management industry and banking industry. Prior to joining our Group, Ms. Lau worked in HSBC Group from April 2001 to July 2016, with her last position as Manager, Business Development (Pensions) at HSBC Insurance (Asia) Limited. Ms. Lau obtained a bachelor of arts degree from University of Toronto, Ontario, Canada and a master of business administration degree from University of Canberra, Australia in November 1994 and December 2002, respectively.

**Ms. Lo Mei Yee** (盧美儀), aged 43 is the personnel and administration manager of our Group. She joined our Group on 20 July 2009 and is primarily responsible for human resources and administration matters of our Group. Ms. Lo has over 19 years of experience in handling human resources and administrative matters. Prior to joining our Group, Ms. Lo was the administrative assistant of Kal Shan Enterprises Company Limited from August 1997 to April 2000, the administration officer of Grand View Property Management Limited from April 2000 to March 2006, the human resources officer of Ryoden Property Development Company, Limited from March 2006 to October 2008 and she was the senior human resources officer of Waihong Environmental Services Limited from October 2008 to July 2009.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Lo obtained a bachelor of arts degree from The University of Hong Kong and a master of science in management (human resource management) from The Polytechnic University in December 1997 and February 2004, respectively.

**Mr. Yun Kwok King (殷國經)**, aged 62, is the senior property manager of our Group. Mr. Yun is one of our Shareholders and a director of Modern Living. He joined our Group on 18 May 2007 and is primarily responsible for supervision of property management of public estates managed by our Group. Mr. Yun has over 40 years experience in property management industry. He worked in the Housing Authority from February 1977 to June 2003 with his last position as assistant housing manager. Prior to joining our Group, Mr. Yun was a property manager of Fullsky Management Limited and Easy Living Property Management Limited from July 2003 to October 2004, and January 2005 to May 2007, respectively. Mr. Yun was elected as a corporate member of the Chartered Institute of Housing in November 1997.

**Ms. Chan Kwai Chu (陳桂珠)**, aged 54, is the senior property manager of our Group. Ms. Chan is a director of Modern Living. She joined our Group on 1 October 2014 and is primarily responsible for supervision of property management of public estates managed by our Group. Ms. Chan has over 28 years of experience in the property management industry. She worked in the Housing Authority from March 1989 to January 2001 with her last position as housing officer. Her next employment since departure from the Housing Authority was in Parkland Property Management Limited, where she worked until March 2003 with her last position as estate manager. She then worked in Synergis Management Services Limited from April 2003 to May 2006 with her last position as property manager. Ms. Chan then worked in China Overseas Land & Investment Limited from June 2006 to October 2010 with her last position as senior property manager. She worked in Easy Living Property Management Limited from March 2011 to December 2011 as senior property manager. Ms. Chan joined the Hong Kong Housing Society and worked as manager (quality building assessment) from December 2011 to February 2012, and then she re-joined Easy Living Property Management Limited as assistant general manager (operations) from February 2012 to September 2014. Ms. Chan obtained a certificate in housing practice from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in July 1997.

**Mr. Yiu Ping Keung (姚炳強)**, aged 56, is the regional technical manager (Building Works) of our Group. Mr. Yiu is a founding shareholder and one of our Controlling Shareholders and a director of Modern Living. He joined our Group on 20 February 2003 and is primarily responsible for supervision of technical building works matters of public estates managed by our Group. Mr. Yiu has over 36 years of experience in building works supervision. He was a works supervisor and an assistant clerk of works in the Housing Department from August 1981 to July 1987, and from July 1987 to January 2003, respectively and he was responsible for supervising building works. Mr. Yiu obtained a diploma in civil engineering and a higher certificate in civil engineering from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1980 and November 1982, respectively.

**Ms. Chan Nga Shuen (陳雅旋)**, aged 29, is the registered safety officer of our Group. She joined our Group on 17 May 2010 as an administrative assistant before promoted to her current position in December 2016. Ms. Chan is primarily responsible for safety management of our Group. Ms. Chan has over five years of experience in occupational safety and health. Ms. Chan obtained a bachelor of social sciences degree from Lingnan University in October 2010. She obtained a professional diploma in



## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

occupational safety and health from the School of Continuing Education Hong Kong Baptist University in January 2012. Ms. Chan became a registered safety officer of the Labour Department, Hong Kong in December 2016.

### **COMPANY SECRETARY**

Mr. Ng is the company secretary of our Company. Please refer to the paragraph headed “Executive Directors” above for a biography of Mr. Ng.

### **COMPLIANCE OFFICER**

Mr. Sung is the compliance officer of our Company. Please refer to the paragraph headed “Executive Directors” above for a biography of Mr. Sung.

### **REMUNERATION POLICY**

Our Directors and senior management of our Company receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of our Directors and senior management, as well as the performance of our Group.

Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of our Directors and senior management and performance of our Group.

Following the Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their experience, responsibilities, workload and time devoted to our Group and performance of our Group.

### **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

For each of FY2015, FY2016 and 4M2017, the aggregate director’s fee, salaries and allowances and retirement benefits scheme contribution, other benefits in kind and/or discretionary bonuses paid by us to our Directors were approximately HK\$2.5 million, HK\$2.3 million and HK\$0.8 million, respectively.

For each of FY2015, FY2016 and 4M2017, the aggregate salaries and allowances, other benefits in kind, discretionary bonuses and retirement benefits scheme contribution paid by us to the five highest paid individuals was approximately HK\$2.2 million, HK\$2.5 million and HK\$1.2 million, respectively.

Save as disclosed above, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals in respect of each of FY2015, FY2016 and 4M2017, respectively.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary benefits or bonus or other fringe benefits) for FY2017 will be approximately HK\$2.3 million.



## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

### **BOARD COMMITTEES**

#### **Audit Committee**

Our Audit Committee consists of three members, namely Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny. Mr. Wong Siu Fai Albert is the chairman of the Audit Committee. Written terms of reference for our Audit Committee have been adopted in accordance with paragraph C.3.3 of the Corporate Governance Code.

The primary duties of our Audit Committee are to review and supervise our financial reporting process, to nominate and monitor our external auditors, and to oversee the risk management and internal control procedures of our Company.

#### **Remuneration Committee**

Our Remuneration Committee consists of three members, namely Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny. Mr. Ng Kee Fat Ronny is the chairman of our Remuneration Committee. Written terms of reference for the Remuneration Committee were adopted in accordance with paragraph B.1.2 of the Corporate Governance Code.

The primary duties of our Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Company, and to ensure that none of our Directors determine their own remuneration.

#### **Nomination Committee**

Our Nomination Committee consists of three members, namely Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny. Dr. Chan Man Wai is the chairman of our Nomination Committee. Written terms of reference for our Nomination Committee were adopted in accordance with paragraph A.5.2 of the Corporate Governance Code.

The primary duties of our Nomination Committee are to review the structure, size and composition of our Board annually, to identify individuals suitably qualified to become members of our Board, to assess the independence of our independent non-executive Directors, and to make recommendations to our Board on relevant matters relating to appointments of Directors.

## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

### **CORPORATE GOVERNANCE**

Our Company will comply with the Corporate Governance Code. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

### **COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Ballas Capital as our compliance adviser, who will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties.

Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with, and seek advice from, our compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) 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;
- (c) where our Group propose 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 operations deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of our appointment of Ballas Capital as our compliance adviser will commence on the Listing Date, and will 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 Date or until the agreement in respect of such appointment is terminated, whichever is earlier.

## SHARE CAPITAL

### SHARE CAPITAL

The following is a description of our authorised share capital and our share capital in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Capitalisation Issue and the Share Offer:

(HK\$)

#### *Authorised share capital*

2,000,000,000 Shares of HK\$0.01 each	20,000,000
---------------------------------------	------------

#### *Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer*

2,100 Shares in issue as at the date of this prospectus	21
599,997,900 Shares to be issued pursuant to the Capitalisation Issue	5,999,979
<u>200,000,000 Shares to be issued pursuant to the Share Offer</u>	<u>2,000,000</u>
<u>800,000,000 Total</u>	<u>8,000,000</u>

### ASSUMPTIONS

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

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at the time of the Listing and at all times thereafter be held by the public. The 200,000,000 Offer Shares represent 25% of the issued share capital in hands of the public (as defined in the GEM Listing Rules) upon Listing.

### RANKING

The Offer Shares will rank equally in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank equally in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus.

## SHARE CAPITAL

### 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 Shares with an aggregate nominal value not exceeding the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer; and
- (ii) the aggregate nominal amount of the share capital of our Company repurchased by us (if any) pursuant to the general mandate to repurchase Shares as described below.

This mandate will expire at the earliest of:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which our next annual general meeting is required by the Memorandum of Association and the Articles of Association or any applicable laws to be held; and
- (iii) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

Particulars of this general mandate to allot, issue and deal with Shares are set forth under the paragraph headed “A. Further information about our Company and the subsidiaries — 4. Written resolutions of all 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 a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer.

This mandate relates only to repurchases made on the Stock Exchange or any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and which are made in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about our Company and the subsidiaries — 4. Written resolutions of all the Shareholders” in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which our next annual general meeting is required by the Memorandum of Association and the Articles of Association or any applicable laws to be held; and

## **SHARE CAPITAL**

(iii) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

Particulars of this general mandate to repurchase Shares are set forth under the paragraph headed “A. Further information about our Company and the subsidiaries — 4. Written resolutions of all the Shareholders” in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles and the Memorandum of Association, a summary of which is set out in Appendix III to this prospectus.

### **SHARE OPTION SCHEME**

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

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following person will, immediately after 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), have interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its Subsidiaries.

Name of Shareholder	Nature of interest	Number of Shares immediately after completion of the Capitalisation Issue and the Share Offer <sup>(1)</sup>	Percentage of interest in our Company immediately after completion of the Capitalisation Issue and the Share Offer
R5A Group Limited <sup>(2)</sup>	Beneficial owner	491,440,000 (L)	61.43%
Ms. Tam <sup>(2)</sup>	Interest in a controlled corporation	491,440,000 (L)	61.43%
Mr. Ng <sup>(3)</sup>	Interest of spouse	491,440,000 (L)	61.43%

*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) R5A Group Limited is the registered owner of 491,440,000 Shares, representing 61.43% of our issued share capital immediately upon completion of the Capitalisation Issue and Share Offer (without taking into account of any Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme). R5A Group Limited is owned as to 55.23% by Ms. Tam, 16.28% by Mr. Sung, 13.96% by Mr. C. M. Ho, 12.79% by Mr. Tang, 1.16% by Mr. T. W. Ho and 0.58% by Mr. Yiu. Therefore, Ms. Tam is deemed to be interested in all the Shares held by R5A Group Limited for the purposes of the SFO.
- (3) Mr. Ng is the spouse of Ms. Tam. Under the SFO, Mr. Ng is deemed to be interested in the same number of Shares in which Ms. Tam is interested.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed “A. Further information about our Company and the subsidiaries — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

## FINANCIAL INFORMATION

*The following discussion and analysis should be read in conjunction with our combined financial statements as at and for each of 31 December 2015, 31 December 2016 and 30 April 2017 together with the accompany notes, included in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants, which may differ in material respects from the generally accounting principles in other jurisdictions.*

*The following discussion contained forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depend on a number of factors over which we have no control. You should review the section headed "Risk Factors" in this prospectus for a discussion of the important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.*

### OVERVIEW

We provide property management services in Hong Kong, with a primary focus on public housing. Our property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repair and maintenance as well as project management services); (ii) security services; and (iii) cleaning services. As at the Latest Practicable Date, we provided property management services to 28 public estates. We also provided stand-alone cleaning services and security services to two public estates, respectively.

During the Track Record Period, the Housing Authority was our single largest customer. For FY2015, FY2016 and 4M2017, the aggregate revenue attributable to the Housing Authority amounted to approximately HK\$302.8 million, HK\$342.4 million and HK\$116.7 million, respectively, representing approximately 99.7%, 99.4% and 100.0% of our total revenue, respectively. During the Track Record Period, all our revenue was attributable to the provision of property management services and stand-alone cleaning services and security services.

We have been engaged by the Housing Authority to provide property management services. Our services include estate management services, security services and cleaning services. We also provide stand-alone security services and cleaning services.

We hire and manage our own staff in providing our property management services. We may also subcontract some of our works to subcontractors. For FY2015 and FY2016 (up to September 2016), we engaged Ying Wah, a cleaning subcontractor, to carry out the cleaning services to some of the estates we managed. In September 2016, we ceased such cleaning subcontracting arrangement and since then, we have carried out all the cleaning services by ourselves.

## FINANCIAL INFORMATION

### KEY FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OUR OPERATIONS

#### Our ability to obtain service contracts from the Housing Authority

The Housing Authority is our single largest customer and for FY2015, FY2016 and 4M2017, our revenue generated from service contracts awarded by the Housing Authority represented approximately 99.7%, 99.4% and 100.0% of our total revenue, respectively. The Housing Authority normally awards service contracts by way of invitation to tender and there is no assurance that we will continue to obtain service contracts from the Housing Authority in the future. If we are unable to successfully tender for service contracts from the Housing Authority or if there is a significant decrease in our tender success rate, our business performance will be adversely affected. There is also no assurance that we can diversify our customer base to replace any such loss of revenue generated from service contracts awarded by the Housing Authority. Our ability to obtain service contracts from the Housing Authority significantly impacts our business operations and financial results.

#### Employee benefit expenses and statutory minimum wage

We had approximately 2,270 employees as at the Latest Practicable Date and our employee benefit expenses amounted to approximately HK\$247.9 million, HK\$294.2 million and HK\$107.5 million for FY2015, FY2016 and 4M2017, respectively. Our employee benefit expenses were the most significant component of our costs and represented approximately 81.6%, 85.4% and 92.2% of our revenue for FY2015, FY2016 and 4M2017, respectively.

Our operation in Hong Kong are required to comply with the statutory minimum wage requirements. The statutory minimum wage was increased from HK\$30 per hour to HK\$32.5 per hour effective on 1 May 2015 during the Track Record Period and was further raised to HK\$34.5 per hour on 1 May 2017. Higher statutory minimum wage rate may increase competition for qualified employees, which may indirectly result in higher salaries of our employees. Although pursuant to our service contracts with the Housing Authority, we have the right to adjust our service fee in every 12-month period according to prevailing inflation rate and payroll indices, we may still not be able to increase our fees to pass the increase in staff costs onto our customers in a timely manner, in which case our results of operations may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in employee benefit expenses on the profit before tax for the Track Record Period. Fluctuations are assumed to be 5%, 8% and 10% for each of FY2015, FY2016 and 4M2017.

#### Change in employee benefit expense

	+10%	+8%	+5%	-5%	-8%	-10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Impact on profit before tax for</i>						
FY2015	(24,790)	(19,832)	(12,395)	12,395	19,832	24,790
FY2016	(29,416)	(23,533)	(14,708)	14,708	23,533	29,416
4M2017	(10,753)	(8,602)	(5,376)	5,376	8,602	10,753



## FINANCIAL INFORMATION

### Our ability to control subcontracting costs

For FY2015 and FY2016 (up to September 2016), we engaged Ying Wah, a cleaning subcontractor to carry out the cleaning service to some of the estates we managed. In September 2016, we ceased such cleaning subcontracting arrangement and since then, we have carried out all the cleaning services by ourselves. Although we strive to provide our services by our own staff, we may engage subcontractors to cater for the growth of our business whenever necessary so as to preserve operational flexibility. If there is requirement in the future that we need to engage subcontractors, our ability to control subcontracting costs may materially affect our expenses and profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of subcontracting on the profit before tax for the Track Record Period. Fluctuations are assumed to be 5%, 8% and 10% for each of FY2015, FY2016 and 4M2017.

<b>Change in subcontracting costs</b>	<b>+10%</b>	<b>+8%</b>	<b>+5%</b>	<b>-5%</b>	<b>-8%</b>	<b>-10%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Impact on profit before tax for</i>						
FY2015	(3,023)	(2,418)	(1,511)	1,511	2,418	3,023
FY2016	(1,399)	(1,119)	(700)	700	1,119	1,399
4M2017 <i>(Note)</i>	Nil	Nil	Nil	Nil	Nil	Nil

*Note:* We have not engaged any subcontractors since September 2016.

### Competition

Our service contracts are mainly awarded through competitive tendering and there is no guarantee that new service contracts will be awarded to us and that our existing contracts will be extended upon expiry. The terms and conditions of new service contracts may also not be comparable to existing service contracts. In a competitive tendering process, we may have to lower our service fee or offer more favourable terms to our customers in order to increase the competitiveness of our tenders. There is no assurance that we will be able to successfully compete against our competitors and if we are unable to maintain our market position, our business and operational results may be adversely affected.

### REORGANISATION AND BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 26 June 2017 as an exempted company with limited liability under the Companies Law in preparation for the Listing. Pursuant to the Reorganisation with details set out in the section headed “History, Reorganisation and Group Structure” in this prospectus, our Company became the holding company of our Group on 10 July 2017. Apart from the Reorganisation, our Company has not carried on any business since its incorporation.

Upon the completion of the Reorganisation, the property management service business is transferred to our Group with no change in management and the ultimate owners of such business. Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of such business. The combined statements of comprehensive income, combined statements of change in equity and combined statements of cash flows for the Track Record Period and the combined statements of

## FINANCIAL INFORMATION

financial position of our Group as at 31 December 2015, 31 December 2016 and 30 April 2017 have been prepared and presented using the carrying amounts of income, expenses, assets and liabilities of such business for all periods presented.

### **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS**

We have identified certain significant accounting policies that are critical to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 2 “Summary of significant accounting policies” of the Accountant’s Report in Appendix I to this prospectus.

The preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgements based on our own historical experience, knowledge and assessment of our business conditions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at each financial year/period end during the Track Record Period.

As use of estimates and judgement form an integral part of the financial reporting process, the actual results may differ from these assumptions, estimates and judgements and could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. These key estimates are set out in Note 4 “Critical accounting estimates and judgements” of the Accountant’s Report of our Group and are set out in Appendix I to this prospectus.

We believe that the following critical accounting policies and accounting estimates involve the most significant judgements and estimates used in the preparation of the combined financial statements.

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business, net of discounts. Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for our Group’s activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Property management services income is recognised on a systematic basis over the service period.

Interest income is recognised on a time-proportion basis using the effective interest method.

#### **Employee benefits**

##### *(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the end of the reporting period.

## FINANCIAL INFORMATION

### *(ii) Pension obligations*

Our Group contributes to a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, under which our Group pays fixed contributions for all of our employees who are eligible to participate in the MPF scheme. Our Group's contributions to the defined contribution retirement benefit plan are charged to profit or loss in the period incurred.

### *(iii) Bonus plan*

Provisions for bonus plans are recognised when our Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

### *(iv) Long service payments*

All actuarial gains and losses of long service payments provision are recognised immediately in other comprehensive income in the period in which they occur. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

## **Borrowings and borrowing costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

## **Impairment of financial assets**

Our Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty, default or delinquency in interest or principal, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## **Provisions and contingent liabilities**

Provisions are recognised when our Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## FINANCIAL INFORMATION

### SUMMARY OF RESULTS OF OPERATIONS

The following table summarises our combined results for the Track Record Period prepared on the basis set out in the audited financial statements as set out in the Accountant's Report of our Group contained in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountant's Report of our Group contained in Appendix I to this prospectus and not merely rely on the information contained in this section.

	<b>FY2015</b>	<b>FY2016</b>	<b>4M2016</b>	<b>4M2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Revenue	303,632	344,464	114,320	116,651
Other income	642	406	103	101
Other (losses)/gains, net	(963)	132	(225)	14
Employee benefit expenses	(247,900)	(294,164)	(96,271)	(107,525)
Subcontracting cleaning and cleaning material costs	(33,593)	(18,245)	(9,319)	(1,368)
Utilities expenses	(2,084)	(2,012)	(676)	(407)
Depreciation	(1,490)	(1,874)	(612)	(710)
Other operating expenses	<u>(13,457)</u>	<u>(11,663)</u>	<u>(3,512)</u>	<u>(2,941)</u>
Operating profit	<u>4,787</u>	<u>17,044</u>	<u>3,808</u>	<u>3,815</u>
Finance income	328	5	3	1
Finance costs	<u>(2,173)</u>	<u>(1,075)</u>	<u>(393)</u>	<u>(301)</u>
Finance costs, net	<u>(1,845)</u>	<u>(1,070)</u>	<u>(390)</u>	<u>(300)</u>
Profit before income tax	<u>2,942</u>	<u>15,974</u>	<u>3,418</u>	<u>3,515</u>
Income tax expense	<u>(847)</u>	<u>(2,674)</u>	<u>(627)</u>	<u>(590)</u>
<b>Profit for the year/period</b>	<u>2,095</u>	<u>13,300</u>	<u>2,791</u>	<u>2,925</u>

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### DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

#### Revenue

During the Track Record Period, we have three customers, namely (i) the Housing Authority; (ii) the incorporated owners of one private residential property; and (iii) the incorporated owners of one industrial property. The Housing Authority has been our single largest customer and for FY2015, FY2016 and 4M2017, the revenue attributable to the Housing Authority amounted to approximately HK\$302.8 million, HK\$342.4 million and HK\$116.7 million, respectively, representing approximately 99.7%, 99.4% and 100.0% of our total revenue, respectively.

We have been engaged by the Housing Authority to provide property management services. Our services include estate management services, security services and cleaning services. We also provide stand-alone security services and cleaning services.

The following table sets out the revenue of the ten largest estates we provided services to (in terms of revenue amount) during the Track Record Period:

	FY2015		FY2016		4M2016		4M2017	
	<i>Estate</i>	<i>HK\$'000</i>	<i>Estate</i>	<i>HK\$'000</i>	<i>Estate</i>	<i>HK\$'000</i>	<i>Estate</i>	<i>HK\$'000</i>
1. Kwai Fong	26,445	Kwai Fong	30,547	Kwai Fong	10,186	Kwai Fong	10,485	
2. Kin Ming	25,536	Kin Ming	26,588	Shek Lei (I)	8,903	Kin Ming	9,093	
3. Tai Yuen	24,300	Tai Yuen	25,625	Kin Ming	8,803	Tai Yuen	8,966	
4. Ping Tin	22,998	Shek Lei (I)	25,314	Tai Yuen	8,766	Shek Lei (I)	8,745	
5. Shek Lei	22,916	Ping Tin	24,492	Ping Tin	8,105	Tin Yiu (I)	8,082	
6. Tin Yiu (I)	21,674	Tin Yiu (I)	23,834	Tin Yiu (I)	7,624	Ping Tin	8,010	
7. Tsui Ping (South)	19,161	Tsui Ping (South)	20,001	Tsui Ping (South)	6,578	Tsui Ping (South)	6,865	
8. Lee On	15,414	Lung Hang	15,689	Lee On	5,739	Lung Hang	5,366	
9. Tin Yiu (II)	15,000	Lee On	15,650	Lai Yiu	5,201	Lai Yiu	5,327	
10. Lai Yiu	14,408	Tin Yiu (II)	15,434	Lung Hang	5,105	Lee On	5,267	
<b>Total</b>	<b><u>207,852</u></b>		<b><u>223,174</u></b>		<b><u>75,010</u></b>		<b><u>76,206</u></b>	
<b>% of total revenue</b>	<b><u>68.5%</u></b>		<b><u>64.8%</u></b>		<b><u>65.6%</u></b>		<b><u>65.3%</u></b>	
<b>Total revenue</b>	<b><u>303,632</u></b>		<b><u>344,464</u></b>		<b><u>114,320</u></b>		<b><u>116,651</u></b>	

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The following table (the “Estate Table”) sets out the number of estates we were contracted to provide services to during the Track Record Period.

**Estate Table**

	FY2015	FY2016	4M2016	4M2017
<b>(1) Public estates</b>				
<b>(excluding HOS estates)</b>				
<b>Beginning of year/period</b>	22 <sup>(Note 1)</sup>	26	26	26
Additions of new contracted estates	4 <sup>(Note 2)</sup>	—	—	—
Less number of terminated estates	—	—	—	—
<b>End of year/period</b>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>
<b>(2) HOS estates</b>				
<b>Beginning of year/period</b>	—	—	—	2
Additions of new contracted estates	—	2 <sup>(Note 3)</sup>	—	—
Less number of terminated estates	—	—	—	—
<b>End of year/period</b>	<u>—</u>	<u>2</u>	<u>—</u>	<u>2</u>
<b>(3) Stand-alone service estates</b>				
<b>Beginning of year/period</b>	2	2	2	2
Additions of new contracted estates	—	—	—	—
Less number of terminated estates	—	—	—	—
<b>End of year/period</b>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b>(4) Private estates</b>				
<b>Beginning of year/period</b>	—	2	2	—
Additions of new contracted estates	2 <sup>(Note 4)</sup>	—	—	—
Less number of terminated estates	—	(2)	(1)	—
<b>End of year/period</b>	<u>2</u>	<u>—</u>	<u>1</u>	<u>—</u>

*Note 1:* During FY2015, six of our existing public estates had their extendable terms expired and we managed to renew our services for all of them (the “Renewed Estates”) through tendering from the Housing Authority.

*Note 2:* We obtained four new contracted estates from two management service contracts awarded by the Housing Authority we won in FY2015. We commenced to provide our services to two of them during FY2015 but only commenced to provide our services to the remaining two estates on 1 January 2016 (i.e. FY2016).

*Note 3:* We obtained two new HOS estates management service contracts in FY2016, but only commenced our services to these two HOS estates in May and June 2017, respectively.

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*Note 4:* Being (i) the incorporated owners of one private industrial residential property; and (ii) the contracted owners of one private industrial property, from which we won the property management service contracts in FY2015. In April and May 2016, we ended the contracts of the private residential and industrial properties, respectively.

Our revenue from the provision of property management services increased by approximately HK\$40.8 million, or approximately 13.4% from approximately HK\$303.6 million in FY2015 to approximately HK\$344.5 million in FY2016. Such increase was mainly due to:

- (i) additional service fee income of approximately HK\$20.0 million from the four new contracted estates we obtained during FY2015, reflecting the full year revenue effect from such estates in FY2016;
- (ii) additional service fee income of approximately HK\$18.0 million mainly derived from higher service fee from the Renewed Estates and upward adjustment of service fee for some of our existing contracts in accordance with the adjustment mechanism (the “**Adjustment Mechanism**”) as stipulated in our service contracts with the Housing Authority; and
- (iii) increase in project management fee of approximately HK\$2.8 million. Under the terms of the service contracts with the Housing Authority, we also provide project management service when external contractors are engaged to carry out repair and maintenance on building works in the estates we manage. In return, we are entitled to charge project management fee based on a certain percentage of the contract sum of the repair and maintenance projects. The increase in project management fee in FY2016 is mainly because more major repair and maintenance works by external contractors were carried out during the year. Such projects included repair and maintenance of water supply systems; replacement of estate gates; resurfacing of paver blocks; and installation of laundry racks.

Our revenue from the provision of property management services in 4M2017 of approximately HK\$116.7 million remained relatively stable as compared to that of approximately HK\$114.3 million in 4M2016.

### **Other income**

We recorded other income of approximately HK\$0.6 million, HK\$0.4 million and HK\$0.1 million for FY2015, FY2016 and 4M2017, respectively. The majority of our other income mainly represented cleaning service to ancillary facilities within the estates managed by us. For FY2015 and FY2016, our other income also comprised dividend income of HK\$0.1 million from listed equity securities held by our Group.

### **Other (losses)/gains, net**

We recorded other losses of approximately HK\$1.0 million for FY2015, and recorded other gains of approximately HK\$0.1 million and HK\$14,000 for FY2016 and 4M2017, respectively.

Our other losses of approximately HK\$1.0 million for FY2015 mainly represented (i) unrealised loss of approximately HK\$0.4 million from listed equity securities held by our Group; and (ii) net exchange loss of approximately HK\$0.6 million, which mainly represented realised exchange loss arising from the disposal of Renminbi time deposits during FY2015.

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Our other gains of approximately HK\$0.1 million for FY2016 mainly represented gain on the management insurance contract and net gain on disposal of plant and equipment.

Our other gains of approximately HK\$14,000 in 4M2017 represented gain on the management insurance contract.

### Employee benefit expenses

Our employee benefit expenses were the largest component of our operating costs and amounted to approximately HK\$247.9 million, HK\$294.2 million and HK\$107.5 million for FY2015, FY2016 and 4M2017, respectively. The following table sets out the breakdown of our employee benefit expenses:

	FY2015		FY2016		4M2016		4M2017	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (Unaudited)	% of revenue	HK\$'000	% of revenue
Wages, salaries and other allowances	236,074	77.8	280,384	81.4	91,768	80.3	102,488	87.9
Pension costs — defined contribution plan	10,912	3.6	12,624	3.7	4,168	3.6	4,402	3.8
Accrual for unutilised annual leave	563	0.2	851	0.2	244	0.2	536	0.5
Accrual for long service payment	351	0.1	305	0.1	91	0.1	99	0.1
<b>Total</b>	<b>247,900</b>	<b>81.6</b>	<b>294,164</b>	<b>85.4</b>	<b>96,271</b>	<b>84.2</b>	<b>107,525</b>	<b>92.2</b>

Our Group's employee benefit expenses mainly represented wages, salaries and other allowances, which accounted for approximately 95.2%, 95.3% and 95.3% of our Group's total employee benefit expenses for FY2015, FY2016 and 4M2017, respectively. The following table sets out the breakdown of our employee benefit expenses by staff function:

	FY2015		FY2016		4M2016		4M2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Security	118,544	47.8	134,189	45.6	44,521	46.2	46,985	43.7
Estate management	87,345	35.2	94,485	32.1	33,405	34.7	33,225	30.9
Cleaning	42,011	16.9	65,490	22.3	18,345	19.1	27,315	25.4
<b>Total</b>	<b>247,900</b>	<b>100.0</b>	<b>294,164</b>	<b>100.0</b>	<b>96,271</b>	<b>100.0</b>	<b>107,525</b>	<b>100.0</b>



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The following table sets out our headcount by staff function as at 1 January 2015, 31 December 2015 and 2016, and 30 April 2016 and 2017.

	As at 1 January 2015	As at 31 December 2015	As at 31 December 2016	As at 30 April 2016	As at 30 April 2017
Security	1,006	1,162	1,201	1,171	1,184
Estate management	346	378	365	377	359
Cleaning	<u>361</u>	<u>430</u>	<u>711</u>	<u>481</u>	<u>696</u>
<b>Total</b>	<u><u>1,713</u></u>	<u><u>1,970</u></u>	<u><u>2,277</u></u>	<u><u>2,029</u></u>	<u><u>2,239</u></u>

The following table sets out our headcount of total cleaning staff, including (i) our own cleaning staff and (ii) subcontracting cleaning staff from Ying Wah for carrying out the cleaning service to some of the estates we managed, during the Track Record Period:

	As at 1 January 2015	As at 31 December 2015	As at 31 December 2016	As at 30 April 2016	As at 30 April 2017
Own cleaning staff	361	430	711	481	696
Subcontracted cleaning staff from Ying Wah	<u>258</u>	<u>258</u>	<u>—*</u>	<u>212</u>	<u>—</u>
<b>Total</b>	<u><u>619</u></u>	<u><u>688</u></u>	<u><u>711</u></u>	<u><u>693</u></u>	<u><u>696</u></u>

\* we ceased all our subcontracting arrangement with Ying Wah in September 2016.

Our employee benefit expenses comprised staff costs for our (i) estate management staff, which mainly includes staff for general management, tenancy management, financial management, project management, repair and maintenance, management and headquarters; (ii) security staff; and (iii) cleaning staff.

Security staff headcount increased from 1,006 as at 1 January 2015 to 1,201 as at 31 December 2016 and stabilised at 1,184 as at 30 April 2017. The change in the security staff headcount reflects the number of estates that we managed during the periods. At the beginning of FY2015, we started off with 22 public estates and one stand-alone estate for security service. During FY2015, we obtained service contracts for four new public estates and we commenced to provide our services to two of them during FY2015 and the remaining two estates on 1 January 2016. We also obtained service contracts for two private estates during FY2015. As a result, security staff increased from 1,006 as at 1 January 2015 to 1,162 as at 31 December 2015 and then further increased to 1,201 as at 31 December 2016 because of the growth in the number of estates under our management. As we only commenced our services to the two HOS estates that we obtained during FY2016 in May and June 2017 respectively, there was no addition to the number of estates that we managed during 4M2017. The number of security staff therefore stabilised at approximately 1,184 as at 30 April 2017.

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Our employee benefit expenses for our security employees increased by approximately 13.2% from approximately HK\$118.5 million in FY2015 to approximately HK\$134.2 million in FY2016. Such increase was mainly attributable to increase in headcount and salary increment during the year. The increase in our employee benefit expenses for our security employees by approximately 5.5% from approximately HK\$44.5 million in 4M2016 to approximately HK\$47.0 million in 4M2017 was mainly attributable to the increase in headcount from 1,171 in 4M2016 to 1,184 in 4M2017 and salary increment during the period. As a result, our security employees staff cost as a percentage of revenue increased from approximately 38.9% in 4M2016 to approximately 40.3% in 4M2017. New headcount for security services was required mainly to cater for the new service contracts that we commenced to provide our services during FY2015 and FY2016, as explained above.

Similar to security staff, the number of our estate management staff also increased from 346 as at 1 January 2015 to 378 as at 31 December 2015 to cater for the new service contracts that we commenced during FY2015. Despite that we commenced to provide our services to two public estates during FY2016 (please refer to note 2 under the Estate Table set out above), we managed to deploy our existing resources and reduce the headcount from 378 as at 31 December 2015 to 365 as at 31 December 2016. The reduction in headcount was mainly attributable to our ability to streamline our workforce after a full year of experience in managing a large portfolio of 20 estates and more in FY2015. In the year ended 31 December 2014, we successfully obtained property management contracts for 13 new public estates from the Housing Authority and before then, we only managed a portfolio of 12 public estates. Therefore FY2015 was the first full year that we managed a portfolio of 20 public estates and more. In FY2016, we gained the experience and were able to re-organise our estate management workforce to gain operational efficiency without compromising our responsibilities and duties under the existing service contracts. As a result, we managed to reduce our estate management workforce from 378 as at 31 December 2015 to 365 as at 31 December 2016 and further reduced it to 359 as at 30 April 2017.

Our employee benefit expenses for our estate management employees increased by approximately 8.2% from approximately HK\$87.3 million in FY2015 to approximately HK\$94.5 million in FY2016, which was less than the approximate 13.4% growth in revenue. The increase in employee benefit expenses for our estate management staff in FY2016 was mainly attributable to increase in average headcount and salary increment during the year. Despite that we continued to streamline our workforce and reduced our estate management workforce from 377 in 4M2016 to 359 in 4M2017, our employee benefit expenses in 4M2017 remained relatively stable as compared to 4M2016 as a result of salary increment for our estate management workforce during the period. Nonetheless, we were still able to decrease our estate management staff cost as a percentage of revenue from approximately 29.2% in 4M2016 to approximately 28.5% in 4M2017.

Our employee benefit expenses for our cleaning employees increased by 55.9% from approximately HK\$42.0 million in FY2015 to approximately HK\$65.5 million in FY2016, and increased by approximately 48.9% from approximately HK\$18.3 million in 4M2016 to approximately HK\$27.3 million in 4M2017. Such substantial increase was partially because we hired more cleaning staff to cater for the growth of our business as explained above. It was also because we terminated the subcontracting cleaning service by Ying Wah and have taken up all the cleaning service by ourselves since September 2016. During the Track Record Period, we engaged Ying Wah, a cleaning subcontractor to carry out the cleaning service to some of the estates we managed. However, we ceased such arrangement with Ying Wah in September 2016 and since then, we have carried out all the cleaning services by ourselves. As a

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result, we significantly increased the headcount of our cleaning employees from approximately 430 as at 31 December 2015 to approximately 711 as at 31 December 2016. For the same reason, our subcontracting cleaning fees have substantially reduced in FY2016 and 4M2017.

### Subcontracting cleaning and cleaning material costs

Our subcontracting cleaning fee and cleaning material costs amounted to approximately HK\$33.6 million, HK\$18.2 million and HK\$1.4 million for FY2015, FY2016 and 4M2017, respectively. The following table sets out the breakdown of our subcontracting cleaning fee and cleaning material costs during the Track Record Period:

	FY2015		FY2016		4M2016		4M2017	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
					(Unaudited)			
Subcontracting cleaning fee	30,227	10.0	13,993	4.1	8,246	7.2	–	–
Cleaning materials	3,366	1.1	4,252	1.2	1,073	1.0	1,368	1.2
<b>Total</b>	<b>33,593</b>	<b>11.1</b>	<b>18,245</b>	<b>5.3</b>	<b>9,319</b>	<b>8.2</b>	<b>1,368</b>	<b>1.2</b>

Our subcontracting cleaning fee represented our subcontracting fee paid to Ying Wah to carry out the cleaning service to some of the estates we managed. We subcontracted the cleaning service of eight estates to Ying Wah in FY2015, which reduced to five estates since January 2016 and further reduced to two estates since July 2016. We then ceased all subcontracting arrangement with Ying Wah in September 2016 and have carried out all the cleaning services by ourselves since then. As a result, our subcontracting cleaning fees substantially reduced in FY2016 and 4M2017. As at the Latest Practicable Date, all cleaning subcontracting arrangement ceased and we no longer engage any subcontractor to provide such cleaning services. We ceased the subcontracting arrangement with Ying Wah in 2016 as we gradually gained our management experience and hired our own staff in the market. The average monthly unit cost in hiring the subcontracting cleaning staff of Ying Wah for the relevant estates amounted to approximately HK\$9,763 and HK\$9,814 in FY2015 and FY2016, respectively, which were higher than the average monthly unit cost in hiring our own cleaning staff for the same relevant estates in FY2016 of approximately HK\$9,710 after we commenced providing cleaning services to those estates ourselves by hiring our own staff. In view of the fact that the cost in hiring our own cleaning staff was only slightly lower than the cost in hiring subcontracting cleaning staff from Ying Wah (as illustrated in the difference in average monthly unit cost in FY2016 above of around 1%), the difference in cost mainly representing a small margin earned by Ying Wah, our Directors confirm that the subcontracting arrangement with Ying Wah were on normal commercial terms.

Our cleaning material expenses increased from approximately HK\$3.4 million in FY2015 to approximately HK\$4.3 million in FY2016, and increased from approximately HK\$1.1 million in 4M2016 to approximately HK\$1.4 million in 4M2017. Under the terms of contract with Ying Wah, cleaning materials were largely provided by Ying Wah. Upon the termination of subcontracting arrangement with Ying Wah, we purchased the cleaning materials by ourselves and therefore our related cost increased.

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### Utilities expenses

Our utilities expenses remained relatively stable during the Track Record Period and amounted to approximately HK\$2.1 million, HK\$2.0 million and HK\$0.4 million for FY2015, FY2016 and 4M2017, respectively. Our utilities expenses largely represented electricity fees and water fees.

### Depreciation

Our depreciation expenses mainly related to depreciation expenses for our tools and equipment and office equipment, and amounted to approximately HK\$1.5 million, HK\$1.9 million and HK\$0.7 million for FY2015, FY2016 and 4M2017, respectively.

The increase in depreciation expenses of approximately HK\$0.4 million in FY2016 was mainly due to additions of office equipment during the year.

Our depreciation expenses remained relatively stable for 4M2016 and 4M2017 and amounted to approximately HK\$0.6 million and HK\$0.7 million, respectively.

### Other operating expenses

The following table sets out the breakdown of our other operating expenses during the Track Record Period.

	FY2015		FY2016		4M2016		4M2017	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (Unaudited)	% of revenue	HK\$'000	% of revenue
Insurance expense	2,482	0.8	2,872	0.8	987	0.9	874	0.7
Office supplies	1,426	0.5	1,280	0.4	416	0.4	267	0.2
Security charges	687	0.2	1,129	0.3	357	0.3	201	0.2
Guarantee fee	838	0.2	1,044	0.3	328	0.3	199	0.2
Entertainment and travel	1,819	0.6	993	0.3	241	0.2	270	0.2
Estate maintenance expense	1,396	0.5	369	0.1	168	0.1	132	0.1
Telecommunication charges	298	0.1	486	0.1	132	0.1	160	0.1
Rental expense	385	0.1	260	0.1	59	0.1	96	0.1
Professional fee	406	0.1	141	0.0	36	0.0	74	0.1
Others <sup>(Note)</sup>	3,720	1.2	3,089	0.9	788	0.7	668	0.6
<b>Total</b>	<b>13,457</b>	<b>4.4</b>	<b>11,663</b>	<b>3.4</b>	<b>3,512</b>	<b>3.1</b>	<b>2,941</b>	<b>2.5</b>

*Note:* Our other expenses mainly included audit fee, community function expenses, repair and maintenance fee, uniform and laundry fee and other miscellaneous operating expenses.

Our other operating expenses amounted to approximately HK\$13.5 million, HK\$11.7 million and HK\$2.9 million for FY2015, FY2016 and 4M2017, respectively. Insurance expense, office supplies expense, security charges for specialist guard company to escort money in transit, guarantee fee for our performance bonds, entertainment and travel expense and estate maintenance expense are the major cost component of our other operating expenses.

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The decrease in our other operating expenses in FY2016 of approximately HK\$1.8 million was mainly due to (i) the decrease in entertainment and travel expenses of approximately HK\$0.8 million, mainly due to less promotion and community activities organised for some of the estates managed by us in FY2016 as we organised 43 major community functions during FY2015 (FY2016: 20) in the estates that we managed after we successfully obtained management service contracts for 13 new public estates in the year ended 31 December 2014; and (ii) the decrease in estate maintenance expense of approximately HK\$1.0 million, mainly due to less minor repair and maintenance required for some of the public estates that we managed, such as minor works relating to plumbing, walls and lighting. The decrease in our other expenses of approximately HK\$0.6 million in FY2016 was mainly attributable to the decrease in donations and sponsorship of estate functions.

The decrease in our other operating expenses in 4M2017 of approximately HK\$0.6 million as compared to that in 4M2016 was mainly due to our cost control measure to reduce cost across all major components, and was mainly contributed by (i) the decrease in security charges for specialist guard company to escort money in transit of approximately HK\$0.2 million, as we reduced the frequency of arranging specialist guard company to escort the cash from our estates to banks; (ii) the decrease in office supplies expense of approximately HK\$0.1 million, mainly as a result of the cut back in spending on office supplies across our estates; and (iii) the decrease in insurance expense of approximately HK\$0.1 million, mainly as a result of the decrease in insurance premiums charged.

### Operating profit and operating profit margin

We recorded operating profit of approximately HK\$4.8 million, HK\$17.0 million and HK\$3.8 million respectively, and an operating profit margin of approximately 1.6%, 4.9% and 3.3% in FY2015, FY2016 and 4M2017, respectively.

At the beginning of FY2015, we managed 22 contracted public estates, 13 of which were obtained during the year ended 31 December 2014 (“FY2014”). The majority of the property management services for these new public estates commenced in the second half of FY2014. In order to cater for the substantial growth and prepare for any potential new contracts in the future, and to ensure smooth takeover of the new estates, we hired a lot more additional estate management staff and continued to engage Ying Wah to carry out cleaning services for several of our new contracted estates. The following table sets out the hypothetical average number of estate management, cleaning and security staff per estate that we managed during FY2014 and the Track Record Period.

	FY2014	FY2015	FY2016	4M2017
<b>Average headcount per estate</b>				
Estate management	13.6	15.7	14.9	13.9
Cleaning ( <i>Note 4</i> )	37.7	38.4	37.8	37.0
Security	63.4	63.8	63.9	62.8

*Note 1:* The average estate management, cleaning and security staff per estate is based on the Average Staff Number (as defined in note 2 below) divided by the Average Estate Number (as defined in note 3 below) for the relevant year/period.

*Note 2:* The average staff number (“Average Staff Number”) is calculated by the average of the beginning and ending number of staff for the relevant staff function for the relevant year/period.

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*Note 3:* The average estate number (“**Average Estate Number**”) is calculated by the average of the beginning and ending number of estates we provided the relevant services to for the relevant year/period.

*Note 4:* The calculation of the Average Staff Number for cleaning staff includes both our own cleaning staff and subcontracting staff from Ying Wah.

As illustrated in the above table, the hypothetical average number of estate management, cleaning and security staff per estate increased for FY2015 as compared to those in FY2014. For FY2015, the total of employee benefit expenses and subcontracting cleaning and cleaning material costs represented approximately 92.7% of our revenue for the year, which was about 3 percentage points higher than that of FY2014. As a result, we were only able to generate an operating profit margin of approximately 1.6% for FY2015.

After a full year of operating experience in managing a larger portfolio of 20 estates and more, we gained our experience and began to streamline our estate management workforce to gain operational efficiency. For more details, please refer to the paragraph headed “Employee benefit expenses” under this section. As a result, we were able to better organise and deploy our workforce and gradually reduce the total number of our estate management staff during the Track Record Period. As illustrated in the above table, the hypothetical average number of estate management and cleaning staff per estate reduced in both FY2016 and 4M2017 as compared to those in FY2015 whilst the hypothetical average number of security staff per estate remained relatively stable in FY2016 as compared to that in FY2015 and it was reduced from 63.9 in FY2016 to 62.8 in 4M2017. In addition, we decided to carry out all the cleaning services by ourselves and had ceased all the subcontracting arrangement with Ying Wah since September 2016, and saved approximately HK\$0.4 million in FY2016, which represented approximately 0.1% of our revenue in FY2016, as the average cost in hiring our own cleaning staff was lower than the cost of the subcontracted cleaning staff from Ying Wah for the relevant estates. The total of employee benefit expenses and subcontracting cleaning and cleaning material costs as a percentage of revenue reduced from approximately 92.7% in FY2015 to 90.7% in FY2016. Other operating expenses also decreased as a result of better cost control to reduce other operating expenses such as entertainment and travel and estate maintenance expenses. As a result, other operating expenses as a percentage of revenue reduced from approximately 4.4% in FY2015 to 3.4% in FY2016. The increase in our project management fee income by approximately HK\$2.8 million also helped improve the operating profit margin as our existing management resources were able to manage additional projects carried out during FY2016 without incurring substantial additional costs.

All the above cost saving measures and additional project management fee revenue with marginal cost increment led to the improvement in our operating profit margin. For FY2016, our operating profit margin stood at approximately 4.9% as compared to 1.6% for FY2015. For 4M2017, our operating profit margin was approximately 3.3%, which was also higher than our operating profit margin of approximately 1.6% for FY2015 despite the fact that, as disclosed in the paragraph headed “Business — Pricing policy” in this prospectus, our Group’s cost of providing property management services to the Housing Authority per unit (such cost only includes our employee benefit expenses and subcontracting cleaning and cleaning material costs) represented approximately 92.8% and 93.4% of our revenue per unit for FY2015 and 4M2017, respectively. The higher operating profit margin for 4M2017 as compared to FY2015 was mainly due to our other operating expenses as a percentage of revenue, which decreased from approximately 4.4% for FY2015 to approximately 2.5% for 4M2017. Such decrease more than offset the slight increase in employee benefit expenses and subcontracting cleaning and cleaning

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material costs as a percentage of revenue, which then resulted in the higher operating profit margin for 4M2017. For analysis on our other operating expenses, please refer to the paragraph headed “Financial Information — Other operating expenses” in this prospectus.

Comparing 4M2017 against 4M2016, despite that we saved some cleaning cost after we ceased all subcontracting arrangement with Ying Wah in September 2016 and our estate management staff cost as a percentage of revenue decreased from approximately 29.2% in 4M2016 to approximately 28.5% in 4M2017, we achieved a similar operating profit margin of approximately 3.3% as compared to 4M2016 mainly as a result of salary increment for our workforce during the period.

### Finance costs, net

We recorded finance costs of approximately HK\$2.2 million, HK\$1.1 million and HK\$0.3 million in FY2015, FY2016 and 4M2017, respectively, and recorded finance income of approximately HK\$0.3 million, HK\$5,000 and HK\$1,000 in FY2015, FY2016 and 4M2017, respectively. Our finance costs represented interests on borrowings, interests on finance lease liabilities and accreted interest on loans from shareholders. Our finance income in FY2015 of approximately HK\$0.3 million mainly represented interest income from Renminbi time deposits.

The following table sets out the breakdown of our finance costs during the Track Record Period.

	FY2015	FY2016	4M2016	4M2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on borrowings	1,389	948	313	265
Interest on finance lease liabilities	38	63	16	36
Accreted interest on loans from shareholders	746	64	64	—
<b>Total</b>	<b>2,173</b>	<b>1,075</b>	<b>393</b>	<b>301</b>

The decrease in our finance costs in FY2016 was mainly attributable to (i) the decrease in interest on borrowings of approximately HK0.4 million; and (ii) the decrease in accreted interest on loans from shareholders of approximately HK\$0.7 million.

The interest on borrowings decreased by approximately HK\$0.4 million in FY2016 was mainly because the average amount of our borrowings, comprising of factoring loans and bank overdrafts in fact decreased from approximately HK\$12.4 million in FY2015 to approximately HK\$7.9 million in FY2016, representing a decrease of approximately 36.3%, which explained the decrease in interest on borrowings from FY2015 to FY2016 of approximately 31.7% despite the year end balance of total borrowings increased from approximately HK\$11.0 million as at 31 December 2015 to approximately HK\$33.1 million as at 31 December 2016.

The decrease in accreted interest on loans from shareholders in FY2016 was mainly because accreted interest was recognised for one month only in FY2016, as compared to a full year impact in FY2015. The accreted interest arose from the difference between the nominal value and fair value of the loans from shareholders. As our loans from shareholders became repayable on demand since 1 February 2016 (our loans from shareholders were interest-free and not repayable before 31 January 2016), no accreted interest was recognised since then.



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Our finance costs decreased slightly from approximately HK\$0.4 million in 4M2016 to approximately HK\$0.3 million in 4M2017.

### **Income tax expense**

Our income tax expense amounted to approximately HK\$0.8 million, HK\$2.7 million and HK\$0.6 million for FY2015, FY2016 and 4M2017, respectively, and represented Hong Kong profits tax during the Track Record Period. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits derived from Hong Kong during the Track Record Period.

Our effective tax rate decreased from approximately 28.8% for FY2015 to approximately 16.7% for FY2016 and remained stable at approximately 16.8% for 4M2017. Our relatively high effective tax rate in FY2015 was mainly due to certain expenses not deductible for taxation of approximately HK\$0.4 million in FY2015, which mainly represented fair value loss on financial assets, exchange loss and accreted interest expense.

### **Profit and total comprehensive income for the year**

We recorded net profit of approximately HK\$2.1 million, HK\$13.3 million and HK\$2.9 million for FY2015, FY2016 and 4M2017, respectively, representing a net profit margin of approximately 0.7%, 3.9% and 2.5%, respectively. The increase in net profit margin in FY2016 was mainly attributable to the increase in operating profit margin as explained above. Our net profit margin in 4M2017 remained stable at approximately 2.5% as compared to that of approximately 2.4% in 4M2016.

## **PERIOD TO PERIOD COMPARISON OF RESULTS OF OUR OPERATIONS**

### **4M2017 vs 4M2016**

#### *Revenue*

For 4M2017, our revenue remained relatively stable and amounted to approximately HK\$116.7 million as compared to that of approximately HK\$114.3 million for 4M2016.

#### *Other income*

Our other income remained stable at approximately HK\$0.1 million for each of 4M2016 and 4M2017.

#### *Other (losses)/gains, net*

For 4M2017, we recorded other gains of approximately HK\$14,000, as compared to other losses of approximately HK\$0.2 million recorded in 4M2016. Our other gains in 4M2017 represented gain on the management insurance contract. Our other losses in 4M2016 of approximately HK\$0.2 million mainly represented unrealised loss from listed equity securities held by our Group.



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### *Employee benefit expenses*

For 4M2017, we recorded employee benefit expenses of approximately HK\$107.5 million, which represented an increase of approximately 11.7% as compared to that of approximately HK\$96.2 million for 4M2016. Such increase was mainly attributable to the increase in our cleaning employee benefit expenses. As we have ceased all subcontracting arrangement with Ying Wah in September 2016 and since then, we have carried out all the cleaning services by ourselves, we significantly increased the headcount of our cleaning employees which resulted in the increase in our employee benefit expenses in 4M2017.

### *Subcontracting cleaning and cleaning material costs*

For 4M2017, we recorded subcontracting cleaning and cleaning material costs of approximately HK\$1.4 million, which represented a decrease of approximately 85.3% as compared to that of approximately HK\$9.3 million for 4M2016. Such decrease was mainly because we had no cleaning subcontracting fee in 4M2017, as compared to that of approximately HK\$8.2 million in 4M2016.

### *Utilities expenses*

Our utilities expenses decreased by approximately HK\$0.3 million, or approximately 39.8%, from approximately HK\$0.7 million in 4M2016 to approximately HK\$0.4 million in 4M2017. The decrease was mainly attributable to the decrease in electricity fee.

### *Depreciation*

Our depreciation expenses remained relatively stable and amounted to approximately HK\$0.6 million and approximately HK\$0.7 million for 4M2016 and 4M2017, respectively.

### *Other operating expenses*

For 4M2017, our operating expenses amounted to approximately HK\$2.9 million, which represented a decrease of approximately HK\$0.6 million, or approximately 16.3%, as compared to that of approximately HK\$3.5 million for 4M2016. Such decrease was mainly due to our cost control measure to reduce cost across all cost components, and was mainly contributed by (i) the decrease in security charges for specialist guard company to escort money in transit of approximately HK\$0.2 million, as we reduced the frequency of arranging specialist guard company to escort the cash from our estates to banks; (ii) the decrease in office supplies expense of approximately HK\$0.1 million, mainly as a result of the cut back in spending on office supplies across our estates; and (iii) the decrease in insurance expense of approximately HK\$0.1 million, mainly as a result of the decrease in insurance premiums charged.

### *Operating profit and operating profit margin*

Our operating profit and operating profit margin remained stable at approximately HK\$3.8 million and 3.3%, respectively for each of 4M2016 and 4M2017.

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### *Finance costs, net*

Our finance costs remained relatively stable and amounted to approximately HK\$0.4 million for 4M2016 and approximately HK\$0.3 million in 4M2017.

### *Income tax expense*

Our income tax expense amounted to approximately HK\$0.6 million for both 4M2016 and 4M2017. Our effective tax rate was approximately 16.8% in 4M2017 which is similar to that of approximately 16.7% for FY2016.

### *Net profit*

As a result of the above, our net profit amounted to approximately HK\$2.9 million in 4M2017, which represented an increase of approximately HK\$0.1 million, or approximately 4.8%, as compared to that of approximately HK\$2.8 million in 4M2016. Our net profit margin remained stable at approximately 2.4% for 4M2016 and approximately 2.5% for 4M2017.

## **FY2016 vs FY2015**

### *Revenue*

For FY2016, our revenue from the provision of property management services amounted to approximately HK\$344.5 million, which represented an increase of approximately HK\$40.8 million, or approximately 13.4%, as compared to that of approximately HK\$303.6 million for FY2015. Such increase was mainly attributable to (i) additional service fee income of approximately HK\$20.0 million from the four new contracted estates we obtained during FY2015, reflecting the full year effect from such estates in FY2016; (ii) additional service fee income of approximately HK\$18.0 million mainly derived from higher service fee from the Renewed Estates and upward adjustment of service fee for some of our existing contracts in accordance with the Adjustment Mechanism; and (iii) increase in project management fee of approximately HK\$2.8 million.

### *Other income*

Our other income decreased by approximately HK\$0.2 million from approximately HK\$0.6 million in FY2015 to approximately HK\$0.4 million in FY2016. Such decrease was mainly attributable to the decrease in cleaning service fee to ancillary facilities within the estates managed by us.

### *Other (losses)/gains, net*

We recorded other losses of approximately HK\$1.0 million for FY2015, and recorded other gains of approximately HK\$0.1 million for FY2016.

Our other losses of approximately HK\$1.0 million for FY2015 mainly represented (i) unrealised loss of approximately HK\$0.4 million from listed equity securities held by our Group; and (ii) net exchange loss of approximately HK\$0.6 million, which mainly represented realised exchange loss arising from the disposal of Renminbi time deposits during FY2015.

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Our other gains of HK\$0.1 million in FY2016 mainly represented gain on the management insurance contract and net gain on disposal of plant and equipment.

### *Employee benefit expenses*

For FY2016, we recorded employee benefit expenses of approximately HK\$294.2 million, which represented an increase of approximately HK\$46.3 million, or approximately 18.7%, as compared to that of approximately HK\$247.9 million for FY2015. Such increase was mainly attributable to the increase in employee benefit expenses for our cleaning employees and the increase in employee benefit expenses for our security employees.

The increase in employee benefit expenses for our cleaning employees was mainly due to the significant increase in our headcount for cleaning employees in FY2016, which was partially because we hired more cleaning staff to cater for the growth of our business. It was also because we terminated the subcontracting cleaning service by Ying Wah and have taken up all the service by ourselves since September 2016. The increase in employee benefit expenses for our security employees was mainly attributable to the increase in headcount and salary increment during the year. New headcount for security services was required mainly to cater for the new service contracts that commenced during FY2015 and FY2016.

### *Subcontracting cleaning and cleaning material costs*

For FY2016, we recorded subcontracting cleaning and cleaning material costs of approximately HK\$18.2 million, which represented a decrease of approximately HK\$15.4 million, or approximately 45.7%, as compared to that of approximately HK\$33.6 million for FY2015. Such decrease was mainly due to decrease in our subcontracting cleaning fees of approximately HK\$16.2 million in FY2016. As we ceased all subcontracting arrangement with Ying Wah in September 2016 and since then have carried out all the cleaning services by ourselves, our cleaning subcontracting fees substantially decreased in FY2016.

### *Utilities expenses*

Our utilities expenses remained stable at approximately HK\$2.1 million and HK\$2.0 million for FY2015 and FY2016, respectively.

### *Depreciation*

Our depreciation expenses increased by approximately HK\$0.4 million from approximately HK\$1.5 million in FY2015 to approximately HK\$1.9 million in FY2016. Such increase was mainly due to additions of office equipment during the year.

### *Other operating expenses*

Our other operating expenses decreased by approximately HK\$1.8 million, or approximately 13.3%, from approximately HK\$13.5 million in FY2015 to approximately HK\$11.7 million in FY2016. The decrease in our other operating expenses in FY2016 was mainly due to (i) the decrease in entertainment and travel expenses of approximately HK\$0.8 million mainly due to less promotion and community activities organised for some of the estates managed by us in FY2016 as we organised 43

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major community functions (FY2016: 20) in the estates that we managed after we successfully obtained management service contracts for 13 new public estates in the year ended 31 December 2014; and (ii) the decrease in estate maintenance expense of approximately HK\$1.0 million, mainly due to less minor repair and maintenance required for some of the public estates that we managed, such as minor works relating to plumbing, walls and lighting.

### *Operating profit and operating profit margin*

Our operating profit increased from approximately HK\$4.8 million in FY2015 to approximately HK\$17.0 million in FY2016, and our operating profit margin increased by approximately 3.3 percentage points from approximately 1.6% in FY2015 to approximately 4.9% in FY2016. After a full year of operating experience in managing a larger portfolio of 20 estates and more in FY2015, we gained our experience and began to streamline our estate management workforce to gain operational efficiency. As a result, we were able to better organise and deploy our workforce and gradually reduce the total number of our estate management staff during the Track Record Period. In addition, we saved some cleaning cost after we ceased the subcontracting arrangement with Ying Wah since September 2016. The total of employee benefit expenses and subcontracting cleaning and cleaning material costs as a percentage of revenue reduced from approximately 92.7% in FY2015 to 90.7% in FY2016. Other operating expenses also decreased as a result of better cost control. Other expenses as a percentage of revenue reduced from approximately 4.4% in FY2015 to 3.4% in FY2016. The increase in our project management fee income by approximately HK\$2.8 million also helped improve the operating profit margin as our existing management resources were able to manage additional projects carried out during FY2016 without incurring substantial additional costs. All the above cost saving measures and additional project management fee revenue with marginal cost increment led to the improvement in our operating margin in FY2016.

### *Finance costs, net*

Our finance costs, net decreased by approximately HK\$0.8 million from approximately HK\$1.8 million in FY2015 to approximately HK\$1.1 million in FY2016. Such decrease was mainly attributable to the net effect of the (i) the decrease in finance costs of approximately HK\$1.1 million; and (ii) the decrease in finance income of approximately HK\$0.3 million.

The decrease in finance costs of approximately HK\$1.1 million in FY2016 was mainly attributable to (i) the decrease in interests on borrowings of approximately HK\$0.4 million as a result of the decrease in the average amount of factoring loans and bank overdrafts in FY2016 as compared to prior year; and (ii) the decrease in accreted interest on loans from shareholders of approximately HK\$0.7 million.

Our finance income in FY2015 of approximately HK\$0.3 million mainly represented interest income from Renminbi time deposits. No such income was recorded in FY2016.

### *Income tax expense*

Our income tax expense amounted to approximately HK\$0.8 million and approximately HK\$2.7 million for FY2015 and FY2016, respectively. Our effective tax rate decreased from approximately 28.8% in FY2015 to approximately 16.7% in FY2016. Our relatively high effective tax rate in FY2015

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was mainly due to certain expenses not deductible for taxation of approximately HK\$0.4 million in FY2015, which mainly represented fair value loss on financial assets, exchange loss and accreted interest expense.

### *Net profit*

As a result of the above, our net profit amounted to approximately HK\$13.3 million in FY2016, which represented an increase of approximately HK\$11.2 million, as compared to that of approximately HK\$2.1 million in FY2015. Our net profit margin increased by approximately 3.2 percentage points from approximately 0.7% in FY2015 to approximately 3.9% in FY2016. Our increase in net profit margin was mainly due to the increase in operating profit margin as explained above.

### **Current assets and current liabilities**

The table below sets forth our current assets and current liabilities as at the relevant balance sheet dates indicated.

	<b>As at 31 December</b>		<b>As at 30 April 2017</b>	<b>As at 31 August 2017</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Current Assets</b>				
Financial assets at fair value through profit or loss	1,953	—	—	—
Trade and unbilled receivables	54,521	65,298	73,502	62,343
Prepayments, deposits and other receivables	7,251	5,977	8,453	9,467
Tax recoverable	294	—	—	—
Pledged bank deposits	33,861	36,554	36,555	36,555
Cash and bank balances	<u>2,681</u>	<u>25,058</u>	<u>13,006</u>	<u>3,103</u>
	<u>100,561</u>	<u>132,887</u>	<u>131,516</u>	<u>111,468</u>
<b>Current Liabilities</b>				
Trade payables	7,163	238	312	312
Other payables and accrued liabilities	26,377	28,521	28,370	23,441
Borrowings	10,321	31,146	27,469	15,180
Loans from shareholders	17,324	17,388	16,388	16,388
Taxation payable	<u>—</u>	<u>1,811</u>	<u>2,345</u>	<u>2,345</u>
	<u>61,185</u>	<u>79,104</u>	<u>74,884</u>	<u>57,666</u>
<b>Net current assets</b>	<u><u>39,376</u></u>	<u><u>53,783</u></u>	<u><u>56,632</u></u>	<u><u>53,802</u></u>

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We had net current assets of approximately HK\$39.4 million, HK\$53.8 million and HK\$56.6 million as at 31 December 2015, 31 December 2016 and 30 April 2017 respectively.

As at 31 December 2015, we had net current assets of approximately HK\$39.4 million. Our current assets mainly comprised trade and unbilled receivables of approximately HK\$54.5 million (representing approximately 54.2% of our current assets) and pledged bank deposits of approximately HK\$33.9 million (representing approximately 33.7% of our current assets). Our current liabilities mainly comprised other payables and accrued liabilities of approximately HK\$26.4 million (representing approximately 43.1% of our current liabilities), loans from shareholders of approximately HK\$17.3 million (representing approximately 28.3% of our current liabilities) and borrowings of approximately HK\$10.3 million (representing approximately 16.9% of our current liabilities).

As at 31 December 2016, we had net current assets of approximately HK\$53.8 million. Our current assets mainly comprised trade and unbilled receivables of approximately HK\$65.3 million (representing approximately 49.1% of our current assets), pledged bank deposits of approximately HK\$36.6 million (representing approximately 27.5% of our current assets) and cash and bank balances of approximately HK\$25.1 million (representing approximately 18.9% of our current assets). Our current liabilities mainly comprised borrowings of approximately HK\$31.1 million (representing approximately 39.4% of our current liabilities), other payables and accrued liabilities of approximately HK\$28.5 million (representing approximately 36.1% of our current liabilities) and loan from shareholders of approximately HK\$17.4 million (representing approximately 22.0% of our current liabilities).

As at 30 April 2017, we had net current assets of approximately HK\$56.6 million. Our current assets mainly comprised trade and unbilled receivables of approximately HK\$73.5 million (representing approximately 55.9% of our current assets) and pledged deposits of approximately HK\$36.6 million (representing approximately 27.8% of our current assets). Our current liabilities mainly comprised other payables and accrued liabilities of approximately HK\$28.4 million (representing approximately 37.9% of our current liabilities), borrowings of approximately HK\$27.5 million (representing approximately 36.7% of our current liabilities) and loans from shareholders of approximately HK\$16.4 million (representing approximately 21.9% of our current liabilities).

Based on our unaudited management accounts for the month ended 31 August 2017, we had net current assets of approximately HK\$53.8 million as at 31 August 2017. Our current assets mainly comprised trade and unbilled receivables of approximately HK\$62.3 million (representing approximately 55.9% of our current assets) and pledged bank deposits of approximately HK\$36.6 million (representing approximately 32.8% of our current assets). The decrease in our cash and bank balances from approximately HK\$13.0 million as at 30 April 2017 to approximately HK\$3.1 million as at 31 August 2017 was mainly due to repayment of borrowings and payment of listing expenses. Our current liabilities mainly comprised other payables and accrued liabilities of approximately HK\$23.4 million (representing approximately 40.6% of our current liabilities), loans from shareholders of approximately HK\$16.4 million (representing approximately 28.4% of our current liabilities) and borrowings of approximately HK\$15.2 million (representing approximately 26.3% of our current liabilities).

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### DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

	As at 31 December		As at
	2015	2016	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current Assets</b>			
Plant and equipment	5,783	6,822	6,528
Retention money receivables	1,113	1,513	1,595
Investment in an insurance contract	1,988	2,053	2,067
	<u>8,884</u>	<u>10,388</u>	<u>10,190</u>
<b>Current Assets</b>			
Financial assets at fair value through profit or loss	1,953	—	—
Trade and unbilled receivables	54,521	65,298	73,502
Prepayments, deposits and other receivables	7,251	5,977	8,453
Tax recoverable	294	—	—
Pledged bank deposits	33,861	36,554	36,555
Cash and bank balances	2,681	25,058	13,006
	<u>100,561</u>	<u>132,887</u>	<u>131,516</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities	634	618	674
Borrowings	632	1,953	1,784
	<u>1,266</u>	<u>2,571</u>	<u>2,458</u>
<b>Current Liabilities</b>			
Trade payables	7,163	238	312
Other payables and accrued liabilities	26,377	28,521	28,370
Borrowings	10,321	31,146	27,469
Loans from shareholders	17,324	17,388	16,388
Taxation payable	—	1,811	2,345
	<u>61,185</u>	<u>79,104</u>	<u>74,884</u>
<b>Net Assets</b>	<u><u>46,994</u></u>	<u><u>61,600</u></u>	<u><u>64,364</u></u>

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### **Plant and equipment**

Our plant and equipment amounted to approximately HK\$5.8 million, HK\$6.8 million and HK\$6.5 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, and mainly comprised office equipment, tools and equipment and motor vehicles. The increase in the net book value of our plant and equipment as at 31 December 2016 was mainly due to the purchase of office equipment of approximately HK\$2.7 million and purchase of motor vehicles of approximately HK\$0.7 million during FY2016.

### **Retention money receivables**

Retention money receivables amounted to approximately HK\$1.1 million, HK\$1.5 million and HK\$1.6 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. Retention money receivables represented portion of payments withheld by the Housing Authority in relation to the project management services for maintenance works rendered by our Group as retention money, which normally represents 5% of the service income of the project management services for maintenance works. Retention money is released to our Group in accordance to the terms and conditions of the service contracts, and is normally released upon the issue of the final completion certificate certifying that we have completed the project management/supervision services under the service contract.

### **Investment in an insurance contract**

Our investment in an insurance contract amounted to approximately HK\$2.0 million, HK\$2.1 million and HK\$2.1 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, and represented a management life insurance policy of which our Group is the beneficiary. Such management life insurance policy was pledged to a bank for securing our banking facilities.

### **Financial assets at fair value through profit or loss**

Our financial assets at fair value through profit or loss of approximately HK\$2.0 million as at 31 December 2015 represented investment in listed equity securities in Hong Kong. Such securities were sold during FY2016, which resulted in an insignificant loss on disposal of HK\$5,000 recorded in our other losses.

### **Trade and unbilled receivables**

We recorded trade and unbilled receivables of approximately HK\$54.5 million, HK\$65.3 million and HK\$73.5 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. Our trade and unbilled receivables represented amounts due from the Housing Authority.



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Set out below is a breakdown of our trade and unbilled receivables as at the relevant balance sheet dates indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	44,090	53,195	59,978
Unbilled receivables	<u>10,431</u>	<u>12,103</u>	<u>13,524</u>
<b>Total trade and unbilled receivables</b>	<u><u>54,521</u></u>	<u><u>65,298</u></u>	<u><u>73,502</u></u>

Unbilled receivables represented revenue for our project management fee for our work performed but not yet billed and project management fee to be billed for completed project management services for maintenance work. We are only able to bill the Housing Authority for our project management services provided after the relevant contractor bills the Housing Authority for its maintenance work provided.

The increase in our trade and unbilled receivables by approximately 19.8% from approximately HK\$54.5 million as at 31 December 2015 to approximately HK\$65.3 million as at 31 December 2016 was generally in line with the increase in our revenue, which increased by approximately 13.5% in FY2016. Our trade and unbilled receivables further increased to approximately HK\$73.5 million as at 30 April 2017.

The table below sets forth the aging analysis of our trade receivables based on invoice date, as at the relevant balance sheet dates indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	27,280	30,339	30,003
31 to 60 days	15,398	21,065	28,596
61 to 90 days	<u>1,412</u>	<u>1,791</u>	<u>1,379</u>
	<u><u>44,090</u></u>	<u><u>53,195</u></u>	<u><u>59,978</u></u>

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Having considered the financial capability of the Housing Authority and our past experience in collecting trade and unbilled receivables from them, no impairment of trade and unbilled receivables is considered necessary by our Group. As at the Latest Practicable Date, our trade receivables of approximately HK\$60.0 million as at 30 April 2017 had been fully settled. As at the Latest Practicable Date, approximately HK\$7.7 million, HK\$5.0 million and HK\$2.0 million, or approximately 74.1%, 41.5% and 15.0% of our unbilled receivables as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, had been billed and settled and approximately HK\$0.2 million, HK\$1.1 million and HK\$2.8 million, or approximately 2.1%, 8.7% and 20.9% of our unbilled receivables as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, had been billed but remain outstanding. As at the Latest Practicable Date, our remaining unbilled receivables of approximately HK\$2.5 million, HK\$6.0 million and HK\$8.7 million as at 31 December 2015, 31 December 2016 and 30 April 2017 remain unbilled as the relevant contractor had not submitted its billing to the Housing Authority, and hence we had not submitted our billing to the Housing Authority for the completed maintenance work.

The table below sets forth the average trade receivable days for the years/period indicated.

	<b>FY2015</b>	<b>FY2016</b>	<b>4M2017</b>
Average trade receivable turnover days <i>(Note)</i>	<u>48.2</u>	<u>51.5</u>	<u>58.2</u>

*Note:* Average trade receivable turnover days is calculated as the average of the beginning and ending trade receivable balances for the year/period, divided by our total revenue for that year/period, multiplied by 365 days/120 days.

During the Track Record Period, our average trade receivable turnover days was around 50 to 60 days. As stipulated in the property management service contracts of the Housing Authority, the Housing Authority will within 30 days from the date of delivery of our monthly statement (stating our service fee for the work and services provided and claims for disbursements), certify the statement and make payment to us within further 21 days. As we sometimes required more time to prepare the information required in the monthly statement before delivery to the Housing Authority, our average trade receivable days increased during the Track Record Period.

Our Group had also entered into a trade receivable factoring arrangement and transferred certain trade receivables to a bank for the purpose of funding our operating expenses and working capital requirement. As at 31 December 2015, 31 December 2016 and 30 April 2017, the carrying amount of trade receivables that have been transferred but had not been derecognised amounted to approximately HK\$4.7 million, HK\$22.3 million and HK\$18.7 million, respectively. The corresponding amount of factoring loans amounted to approximately HK\$4.2 million, HK\$20.0 million and HK\$16.8 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. Please refer to the paragraph headed “Discussion on certain key balance sheet items — Borrowings” in this section below for details.

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### *Prepayments, deposits and other receivables*

The table below sets out the balance of our prepayment, deposits and other receivables as at the balance sheet dates indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Utilities deposits	437	475	475
Rental deposits	—	49	49
Prepaid insurance	1,725	2,067	2,144
Prepayment	6	23	2,884
Other receivables	1,106	3,063	2,601
Pledged deposits for performance bonds	2,159	—	—
Amount due from a director	<u>1,818</u>	<u>300</u>	<u>300</u>
<b>Total current prepayments, deposits and other receivables</b>	<u><u>7,251</u></u>	<u><u>5,977</u></u>	<u><u>8,453</u></u>

Our prepaid insurance of approximately HK\$1.7 million, HK\$2.1 million and HK\$2.1 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively mainly represented prepayment for employees' compensation insurance.

Our prepayment of approximately HK\$2.9 million as at 30 April 2017 mainly represented prepayment for listing expenses of approximately HK\$2.7 million.

Our other receivables of approximately HK\$1.1 million, HK\$3.1 million and HK\$2.6 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, mainly represented insurance recoverable for claims of approximately HK\$1.0 million, HK\$2.5 million and HK\$1.7 million, respectively.

Our pledged deposits for performance bonds as at 31 December 2015 was provided to an insurance company for issuance of performance bond certificates amounting to approximately HK\$5.4 million on behalf of our Group to the Housing Authority. Such balance was released in FY2016.

We had amount due from a director of approximately HK\$1.8 million, HK\$0.3 million and HK\$0.3 million as at 31 December 2015, 31 December 2016 and 30 April 2017, which arose from advances to a director during FY2015 and FY2016. Our amount due from a director has been settled in July 2017.

### **Pledged bank deposits**

We had pledged bank deposits of approximately HK\$33.9 million, HK\$36.6 million and HK\$36.6 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. Our pledged bank deposits mainly represented deposits pledged to a bank to secure performance bond as collateral for our property management service contracts entered into with the Housing Authority and deposits pledged for our overdraft facility.

## FINANCIAL INFORMATION

### Borrowings

The table below sets out the aggregate amount of our borrowings as at the relevant balance sheet dates indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current</b>			
Finance lease liabilities	632	1,953	1,784
<b>Current</b>			
Bank borrowings	10,098	30,655	26,971
Finance lease liabilities	223	491	498
<b>Total borrowings</b>	<b>10,953</b>	<b>33,099</b>	<b>29,253</b>

(i) *Finance lease liabilities*

We had finance lease liabilities of approximately HK\$0.9 million, HK\$2.4 million and HK\$2.3 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, which were attributable to copier machines for our office equipment. The increase in obligations under finance leases of approximately HK\$1.6 million as at 31 December 2016 was mainly due to additions of copier machines in FY2016.

(ii) *Bank borrowings*

The table below sets out the breakdown of our bank borrowings as at the relevant balance sheet dates indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts	—	5,996	5,996
Factoring loans	4,230	20,040	16,785
Bank loans due for repayment within one year	1,248	1,311	1,333
Bank loans due for repayment after one year which contain a repayment on demand clause	4,620	3,308	2,857
<b>Total</b>	<b>10,098</b>	<b>30,655</b>	<b>26,971</b>

Our bank borrowings mainly comprised factoring loans.

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Our factoring loans represented cash received from a bank for transferred trade receivables. We had factoring loans of approximately HK\$4.2 million, HK\$20.0 million and HK\$16.8 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. The increase in factoring loans as at 31 December 2016 was due to more trade receivables transferred to a bank near the end of FY2016. The effective interest rate for our factoring loans was approximately 6.25% as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively.

We had bank loans of approximately HK\$5.9 million, HK\$4.6 million and HK\$4.2 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. The effective interest rate for our bank loans ranged from approximately 2.25% to 5.25% as at 31 December 2015, and ranged from approximately 2.5% to 5.25% as at 31 December 2016 and 30 April 2017.

### Trade and other payables and accrued liabilities

#### (i) Trade payables

Our trade payables mainly represented amounts due to Ying Wah, a cleaning subcontractor and amounts due to our suppliers of cleaning materials, staff uniforms, repair and maintenance as well as security guard force. Our trade payables amounted to approximately HK\$7.2 million, HK\$0.2 million and HK\$0.3 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively.

The following table sets forth an aging analysis of our trade payables based on invoice date as at the relevant balance sheet dates indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	7,163	143	312
31–60 days	—	95	—
<b>Total</b>	<u>7,163</u>	<u>238</u>	<u>312</u>

As at 31 December 2015, our trade payables of approximately HK\$7.2 million represented subcontracting fee payable to Ying Wah. As our subcontracting arrangement with Ying Wah ceased in September 2016, we had no subcontracting fee payable as at 31 December 2016 and 30 April 2017. Our trade payables as at 31 December 2016 and 30 April 2017 mainly represented amounts due to our suppliers of cleaning materials, staff uniforms, repair and maintenance and security guard force. Up to the Latest Practicable Date, all of our trade payables as at 30 April 2017 had been settled.

The table below sets forth the average trade payable days for the years/period indicated.

	<b>FY2015</b>	<b>FY2016</b>	<b>4M2017</b>
Average trade payable turnover days <sup>(Note)</sup>	<u>66.6</u>	<u>65.1</u>	<u>17.4</u>

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*Note:* Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances for the year/period, divided by the Total Procurement for that year/period, multiplied by 365 days/120 days.

We recorded average trade payable days of approximately 66.6 days, 65.1 days and 17.4 days for FY2015, FY2016 and 4M2017, respectively. The average turnover days in FY2015 and FY2016 mainly represented our payment terms with Ying Wah. For FY2016, if our trade payable turnover days is calculated based on the ending trade payable balance as at 31 December 2016 (which had no subcontracting fee payable), divided by our Total Procurement (excluding subcontracting cleaning fee) for FY2016, our trade payable turnover days for FY2016 would be approximately 12.8 days, which is similar to the average turnover days for other suppliers in 4M2017.

*(ii) Other payables and accrued liabilities*

The table below sets out the balance of our other payables and accrued liabilities as at the balance sheet dates indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for long service payment	5,734	4,733	4,993
Provision for unutilised annual leave	2,271	3,122	3,658
Accrued wages, salaries and pension	15,410	18,476	18,693
Other accrued expenses and payables	2,654	2,190	1,026
Deposits received	308	—	—
<b>Total</b>	<b>26,377</b>	<b>28,521</b>	<b>28,370</b>

Our other payables and accrued liabilities mainly represented accrued wages, salaries and pension and provision for long service payment, which together accounted for approximately 80.2%, 81.4% and 83.5% of our total other payables and accrued liabilities as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. Our Group's other accrued expenses and payables mainly represented accruals for other operating expenses and miscellaneous expenses, as well as provision for audit fee.

The increase in our other payables and accrued liabilities of approximately HK\$2.1 million from approximately HK\$26.4 million as at 31 December 2015 to approximately HK\$28.5 million as at 31 December 2016 was mainly attributable to the increase in accrued wages, salaries and pension of approximately HK\$3.1 million. Such increase was mainly due to the increase in overall headcount of our employees and salary increment.

Our other payables and accrued liabilities as at 30 April 2017 remained stable and amounted to approximately HK\$28.4 million, as compared to that of approximately HK\$28.5 million as at 31 December 2016.

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### Loans from shareholders

Loans from shareholders amounted to approximately HK\$17.3 million, HK\$17.4 million and HK\$16.4 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. Our loans to shareholders will be settled in full before the Listing by drawdown of our existing banking facilities.

### Taxation payable

We had taxation payable of approximately nil, HK\$1.8 million and HK\$2.3 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, which represented provision for Hong Kong profits tax. Our tax payable balance as at 31 December 2016 was higher than that as at 31 December 2015, which was nil, mainly because we were in a tax recoverable position as at 31 December 2015. Our taxation payable further increased to approximately HK\$2.3 million as at 30 April 2017 as a result of the accumulation of our profits for 4M2017.

## LIQUIDITY AND CAPITAL STRUCTURE

We have historically financed our operations, which included funding required for working capital and other liquidity requirements, mainly through internal resources, bank borrowings and factoring facilities. We expect to fund our future operations and expansion plans with cash generated from our operations and the net proceeds from the Share Offer and our funds raised from capital markets from time to time, when necessary.

### Cash flows

The table below sets forth the changes in cash flow of our Group during the Track Record Period.

	<b>FY2015</b>	<b>FY2016</b>	<b>4M2016</b>	<b>4M2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Net cash generated from/(used in) operating activities	402	3,187	(7,050)	(5,814)
Net cash used in investing activities	(4,826)	(918)	(3,030)	(416)
Net cash generated from/(used in) financing activities	(397)	14,112	12,794	(5,822)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4,821)</b>	<b>16,381</b>	<b>2,714</b>	<b>(12,052)</b>
Cash and cash equivalents at the beginning of the year/period	7,502	2,681	2,681	19,062
<b>Cash and cash equivalents at the end of the year/period</b>	<b>2,681</b>	<b>19,062</b>	<b>5,395</b>	<b>7,010</b>
Bank overdrafts at the end of the year/period	—	5,996	5,895	5,996
<b>Cash and bank balances at the end of the year/period</b>	<b>2,681</b>	<b>25,058</b>	<b>11,290</b>	<b>13,006</b>

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### **Net cash generated from/(used in) operating activities**

Our cash inflow from operating activities was mainly derived from receipt of payments from the Housing Authority for our provision of property management services. Our cash outflow from operating activities principally arose from our payment for our employee benefit expenses, cleaning expenses and other expenses for our operating activities.

For FY2015, we recorded net cash from operating activities of approximately HK\$0.4 million. This was mainly the result of positive operating profit before working capital changes of HK\$6.9 million and net working capital outflow of approximately HK\$5.7 million and tax paid of approximately HK\$0.8 million. Our net working capital outflow of approximately HK\$5.7 million was mainly attributable to the net effect of (i) increase in trade receivables of approximately HK\$10.4 million; (ii) decrease in prepayments, deposits and other receivables of approximately HK\$2.9 million; and (iii) increase in trade payables of approximately HK\$0.9 million.

For FY2016, we recorded net cash from operating activities of approximately HK\$3.2 million. This was mainly the result of positive operating profit before working capital changes of approximately HK\$19.0 million and net working capital outflow of approximately HK\$15.2 million and tax paid of approximately HK\$0.6 million. Our net working capital outflow of approximately HK\$15.2 million was mainly attributable to the net effect of (i) increase in trade receivables of approximately HK\$10.8 million; (ii) decrease in trade payables of approximately HK\$6.9 million; and (iii) increase in other payables and accrued liabilities of approximately HK\$3.1 million.

For 4M2017, we recorded net cash used in operating activities of approximately HK\$5.8 million. This was mainly the result of positive operating profit before working capital changes of approximately HK\$4.6 million and net working capital outflow of approximately HK\$10.4 million. Our net working capital outflow of approximately HK\$10.4 million was mainly attributable to the effect of (i) increase in trade and unbilled receivables of approximately HK\$8.2 million; and (ii) increase in prepayments, deposits and other receivables of approximately HK\$1.8 million.

For 4M2016, we recorded net cash used in operating activities of approximately HK\$7.1 million. This was mainly the result of positive operating profit before working capital changes of approximately HK\$4.7 million and net working capital outflow of approximately HK\$11.7 million. Our net working capital outflow of approximately HK\$11.7 million was mainly attributable to the effect of (i) increase in trade and unbilled receivables of approximately HK\$10.0 million; and (ii) decrease in other payables and accrued liabilities of approximately HK\$1.2 million.

### **Net cash used in investing activities**

During the Track Record Period, our cash used in investing activities mainly arose from the purchases of plant and equipment and the increase in pledged bank deposits.

For FY2015, we had net cash used in investing activities of approximately HK\$4.8 million, which was mainly attributable to the increase in pledged bank deposits of approximately HK\$5.0 million for securing performance bond to the Housing Authority and purchases of plant and equipment of approximately HK\$1.6 million. These were partially offset by the cash inflow of approximately HK\$1.9 million from the proceeds from the redemption of Renminbi bond we held since 2013.



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For FY2016, we had net cash used in investing activities of approximately HK\$0.9 million, which was mainly attributable to the increased in pledged bank deposits of approximately HK\$2.7 million for securing performance bond to the Housing Authority and purchases of plant and equipment of approximately HK\$1.5 million, partially offset by the cash inflow from the proceeds from disposal of our investment in listed equity securities of approximately HK\$1.9 million and proceeds from disposal of plant and equipment of approximately HK\$1.2 million.

For 4M2017, we had net cash used in investment activities of approximately HK\$0.4 million, which was mainly attributable to the purchases of plant and equipment of approximately HK\$0.4 million.

### **Net cash (used in)/generated from financing activities**

During the Track Record Period, our cash inflow from financing activities mainly represented proceeds from borrowings and repayment from a director, and our cash outflow from financing activities mainly represented interest paid, repayment of bank borrowings, advance to a director and repayment of shareholders' loans.

For FY2015, we had net cash used in financing activities of approximately HK\$0.4 million, which mainly represented proceeds from bank borrowings of approximately HK\$4.2 million offset mainly by interest paid HK\$1.4 million, repayment of bank borrowings of approximately HK\$1.2 million and advance to a director of approximately HK\$1.8 million.

For FY2016, we had net cash generated from financing activities of approximately HK\$14.1 million, which mainly represented the proceeds from borrowings of approximately HK\$26.0 million and repayment from a director of approximately HK\$1.5 million, partially offset by the repayment of bank borrowings of approximately HK\$11.5 million and repayment of finance lease liabilities of approximately HK\$1.0 million.

For 4M2017, we had net cash used in financing activities of approximately HK\$5.8 million, which mainly represented repayment of bank borrowings of approximately HK\$6.8 million, repayment of shareholders' loans of approximately HK\$1.0 million and prepayment of listing expenses of approximately HK\$0.7 million (the remaining HK\$2.0 million prepayment of listing expenses in 4M2017 is recorded as our cash used in operating activities), partially offset by proceeds from borrowings of approximately HK\$3.1 million.

### **Bank balances in client accounts**

As at 31 December 2015 and 2016 and 30 April 2017, our Group held a total of approximately HK\$65.0 million, HK\$75.3 million and HK\$98.7 million, respectively in various trustee bank accounts on behalf of the Housing Authority, for the estate common areas which are jointly owned by the Housing Authority and Link REIT of various estates. Such bank accounts opened and operated by us as trustee are solely for the purpose of collecting management fees and making payment for outgoings and daily operation of the estate common areas, which are managed by the Housing Authority.

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### Capital expenditures

Our capital expenditures during the Track Record Period primarily represented the purchase of office equipment, tools and equipment and motor vehicles. The following table sets forth our capital expenditures by nature during the Track Record Period:

	<b>FY2015</b> <i>HK\$'000</i>	<b>FY2016</b> <i>HK\$'000</i>	<b>4M2017</b> <i>HK\$'000</i>
Purchase of tools and equipment	454	498	394
Purchase of furniture and fixtures	211	86	—
Purchase of motor vehicles	420	748	—
Purchase of office equipment	846	2,725	22

From 30 April 2017 to 31 December 2018, we intend to incur capital expenditure of approximately HK\$0.5 million for purchasing furniture and fixtures and office equipment.

### Indebtedness

The following table sets forth the amounts of indebtedness as at 31 December 2015 and 2016 and 30 April 2017 and 31 August 2017, being the latest practicable date for determining our Group's indebtedness:

	<b>As at 31 December</b>		<b>As at</b>	<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Non-current liabilities</b>				
Finance lease liabilities	632	1,953	1,784	1,612
<b>Current liabilities</b>				
Bank borrowings	10,098	30,655	26,971	14,673
Finance lease liabilities	223	491	498	507
Loans from shareholders	17,324	17,388	16,388	16,388
	27,645	48,534	43,857	31,568
	<u>28,277</u>	<u>50,487</u>	<u>45,641</u>	<u>33,180</u>

As at 31 August 2017, we had outstanding borrowings of approximately HK\$33.2 million, comprising of interest-bearing secured and guaranteed bank borrowings of HK\$14.7 million, secured finance lease liabilities of HK\$2.1 million, and unsecured interest-free loans from shareholders of HK\$16.4 million.

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As at 31 August 2017, bank borrowings were secured by:

- (i) our Group's insurance policy of HK\$2.4 million;
- (ii) our Group's pledged bank deposits of HK\$36.6 million;
- (iii) our Group's trade receivables of HK\$12.1 million;
- (iv) limited personal guarantee executed by certain Directors and Shareholders; and
- (v) guarantee provided by Hong Kong Mortgage Corporation Limited pursuant to the SME Financing Guarantee Scheme.

As at 31 August 2017, finance lease liabilities were secured by certain office equipment amounting to net book values of HK\$2.1 million.

As at 31 August 2017, our Group had approximately HK\$57.3 million unutilised banking facilities available.

The aforesaid limited personal guarantee executed by certain Directors and Shareholders to secure our bank borrowings will be fully released upon Listing.

### **Performance bonds and contingent liabilities**

As at 31 August 2017, our Group had aggregate amount of performance bonds of HK\$58.5 million. The Housing Authority requires us to provide the performance bonds for our service contracts to ensure due performance of the relevant contracts. The performance bonds are generally released upon the due completion of relevant service by us or by a certain stipulated date. We are generally required to provide pledged bank deposits to the bank for the issuance of performance bonds.

As at 31 August 2017, except as disclosed in this prospectus, and apart from intragroup liabilities, we did not have any other debt securities, term-loan borrowings, indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, debentures, loan capital, bank loans and overdrafts, finance leases, liabilities under acceptances, acceptance credits, contingent liabilities or guarantees outstanding.

We confirm that there had not been any material adverse change in our indebtedness and contingent liabilities since 31 August 2017 and up to the date of this prospectus.

### **Commitments**

#### *Operating lease commitments*

Our Group had no non-cancellable operating lease payments as at 31 December 2015, 31 December 2016 and 30 April 2017. Our Group had non-cancellable operating lease payments of approximately HK\$1.1 million as at 31 August 2017 in respect of our head office.

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### *Capital commitments*

Our Group had no capital commitments as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017. As at the Latest Practicable Date, our Group had no capital commitments.

### **Contingent liabilities**

Our Group had contingent liabilities in respect of the following:

As at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017, our Group had entered into 26, 27, 27 and 29 performance bonds with a bank or an insurance company, respectively. The aggregate amount of the performance bonds was approximately HK\$61.0 million, HK\$56.8 million, HK\$56.8 million and HK\$58.5 million as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017, respectively. Our Directors do not consider it probable that a claim on the performance bonds will be made against our Group.

In carrying out its ordinary course of business, our Group is subject to the risk of being named as a defendant in legal actions, claims and disputes in connection with our business activities. The nature of the legal proceedings initiated against us mainly includes claims for compensation by our Group's existing former employees for work related injuries. Our Group maintains insurance cover and our Directors consider that, based on available evidence, any such existing claims and legal proceedings against our Group have no material financial impact to our Group as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017.

### **KEY FINANCIAL RATIOS**

The following table sets forth our key financial ratios for the years and as at the balance sheet dates indicated.

	Year ended/as at		Period ended/ as at
	31 December 2015	31 December 2016	30 April 2017
Return on equity <sup>(Note 1)</sup>	4.5%	21.6%	13.6%
Return on total assets <sup>(Note 2)</sup>	1.9%	9.3%	6.2%
Current ratio <sup>(Note 3)</sup>	1.6	1.7	1.8
Net debt to equity ratio <sup>(Note 4)</sup>	N/A	N/A	N/A
Gearing ratio <sup>(Note 5)</sup>	23.3%	53.7%	45.4%

*Notes:*

1. Profit for the year divided by total equity. Return on equity for 4M2017 is calculated using the profit for 4M2017 adjusted on an annualised basis.
2. Profit for the year divided by total assets. Return on total assets for 4M2017 is calculated using the profit for 4M2017 adjusted on an annualised basis.
3. Total current assets divided by total current liabilities.

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4. Net debt divided by total equity. Net debt is defined as the sum of bank borrowings and finance lease liabilities, minus cash and cash equivalents (including pledged bank deposits). Our Group was in net cash position as at 31 December 2015 and 2016, and 30 April 2017.
5. Total debt divided by total equity. Total debt is defined as the sum of bank borrowings and finance lease liabilities.

### Return on equity

Our return on equity increased from approximately 4.5% in FY2015 to approximately 21.6% in FY2016. Such increase was primarily attributable to the increase in our net profit, which increased from approximately HK\$2.1 million in FY2015 to approximately HK\$13.3 million in FY2016. Our total equity as at 31 December 2016 increased by a relatively small proportion by approximately 31.1% from approximately HK\$47.0 million as at 31 December 2015 to approximately HK\$61.6 million as at 31 December 2016.

In 4M2017, our return on equity would be approximately 13.6% on an annualised basis.

### Return on total assets

Our return on total assets increased from approximately 1.9% in FY2015 to approximately 9.3% in FY2016. Such increase was primarily attributable to the increase in our net profit. Our total assets as at 31 December 2016 increased by approximately 30.9% as compared to that as at 31 December 2015.

In 4M2017, our return on total assets would be approximately 6.2% on an annualised basis.

### Current ratio

Our current ratio remained stable during the Track Record Period at around 1.6 times to 1.8 times.

### Gearing ratio

Our gearing ratio was approximately 23.3% as at 31 December 2015, which increased to approximately 53.7% as at 31 December 2016. The increase in gearing ratio was mainly due to the increase in our borrowings from approximately HK\$11.0 million as at 31 December 2015 to approximately HK\$33.1 million as at 31 December 2016, whilst our total equity increased by a relatively smaller proportion.

Our gearing ratio decreased from approximately 53.7% as at 31 December 2016 to approximately 45.4% as at 30 April 2017. The decrease in gearing ratio was mainly attributable to the decrease in total borrowings of approximately HK\$3.8 million, whilst our total equity slightly increased as at 30 April 2017.

### LISTING EXPENSES

The total listing expenses in relation to the Share Offer (based on the mid-point of the Offer Price range stated in this prospectus), mainly comprising fees paid or payable to professional parties and underwriting fees and commission, are expected to be approximately HK\$23.5 million, of which, (i) approximately HK\$14.2 million is expected to be recognised as expenses in our combined statements of

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comprehensive income for FY2017; and (ii) approximately HK\$9.3 million is expected to be capitalised as prepayments and charged against equity upon completion of the Share Offer under the relevant accounting standards.

### **WORKING CAPITAL CONFIRMATION**

Our Directors are of the opinion that, taking into account the financial resources available to our Group presently including our internally generated funds, the available banking facilities and the net proceeds available to us from the Share Offer, our Group has sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

### **RELATED PARTY TRANSACTIONS**

With respect to the related party transactions set out in note 32 of the Accountant's Report as contained in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms.

For the detailed discussion of related party transactions, please refer to note 32 to the Accountant's Report as contained in Appendix I to this prospectus.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As at the Latest Practicable Date, we have not entered into any material off-balance sheet transaction.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

In the normal course of business, we are exposed to various types of market risks including the followings.

#### **Interest rate risk**

Our Group is exposed to cash flow interest rate risk in relation to our borrowings that are at floating rates. Our management will take appropriate measures to manage interest rate risk if interest rate fluctuations significantly. Our loans from shareholders are interest-free and expose our Group to fair value interest-rate risk. Our management considers that the fair value interest rate risk to our Group is insignificant. During the Track Record Period, our Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instruments. However, our management monitors our Group's related interest rate exposure closely and will consider hedging significant interest rate exposure when the need arises.

#### **Credit risk**

Credit risk of our Group is primarily attributable to its trade receivables. Our Group is exposed to concentration of credit risk as all our trade receivables were due from a single customer, namely the Housing Authority. However, given that the Housing Authority is a statutory body which develops and implements public housing programme and based on the historical experience of our Group in collection

## **FINANCIAL INFORMATION**

of receivables from the Housing Authority, our management does not expect any losses arising from the Housing Authority. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

### **Liquidity risk**

Liquidity risk is the risk that our Group will not be able to meet our obligations associated with our financial liabilities when they become due. Our policy is to regularly monitor current and expected liquidity requirements and our compliance with debt covenant, to ensure that our Group maintain sufficient reserves of cash and adequate committed lines to meet our liquidity requirements in the short or longer term. The maturity analysis based on contractual maturity date of our financial liabilities is set out in note 3.1 of the Accountant's Report in Appendix I to this prospectus.

### **DIVIDEND**

We had not declared or paid any dividends during the Track Record Period and up to the Latest Practicable Date. In October 2017, we declared a special dividend of HK\$10.0 million to our then Shareholders, which will be paid in cash by drawdown of our existing banking facilities.

Our Group currently does not have a fixed dividend policy. Dividends to be declared and paid in the future will be subject to our Directors' discretion and will depend on our financial conditions, results of operations, cash availability, statutory and regulatory restrictions in relation thereto, future prospects, and any other factors that our Directors may consider relevant. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the relevant laws.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 26 June 2017 and has not carried out any business since the date of its incorporation, save for the transactions related to the Reorganisation. Accordingly, there was no reserve available for distribution to our Shareholders as at 30 April 2017.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 April 2017, being the date on which the latest audited combined financial statements of our Group were made up, and there is no event since 30 April 2017 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors confirm that as at the Latest Practicable Date, there are no circumstances which would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

Please refer to the paragraph headed "Unaudited pro forma statement of adjusted net tangible assets" in Appendix II to this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS STRATEGIES

Please refer to the paragraph headed “Business — Business strategies” in this prospectus for detailed description of our future plans.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$0.34 per Share, being the mid-point of the proposed Offer Price range of HK\$0.30 to HK\$0.38 per Share, the net proceeds to our Company for the issue of the Offer Shares, after deducting underwriting fees and estimated total expenses in the aggregate amount of approximately HK\$23.5 million paid and payable by our Company, in connection thereto, are estimated to be approximately HK\$44.5 million. We intend to apply such proceeds from the Share Offer as follows:

- (a) approximately HK\$25.8 million (representing approximately 58.0% of the net proceeds) will be applied to undertake two additional property management service contracts as follows:
  - approximately HK\$15.2 million, being additional working capital equivalent to estimated two months’ contract sum of the two intended property management service contracts;
  - approximately HK\$10.1 million, being the proposed cash deposit collateral to secure the estimated performance bond of approximately HK\$16.8 million to be issued by our bank to the Housing Authority for tendering the two intended property management service contracts; and
  - approximately HK\$0.5 million, being the estimated capital expenditure, such as purchase of furniture and office equipment, if we are awarded with the two intended property management service contracts;
  
- (b) approximately HK\$11.2 million (representing approximately 25.2% of the net proceeds) will be applied to undertake four additional stand-alone cleaning or security service contracts from the Housing Authority as follows:
  - approximately HK\$7.7 million, being additional working capital equivalent to estimated two months’ contract sum of four intended stand-alone cleaning or security service contracts; and
  - approximately HK\$3.5 million, being the proposed cash deposit collateral to secure the estimated performance bond of approximately HK\$8.6 million to be issued by our bank to the Housing Authority for tendering the four intended stand-alone cleaning or security service contracts;



## FUTURE PLANS AND USE OF PROCEEDS

- (c) approximately HK\$6.0 million (representing approximately 13.5% of the net proceeds) will be applied to undertake additional service contracts for HOS estates, public facilities, private residential or industrial properties:
- approximately HK\$2.5 million, being additional working capital equivalent to estimated two months' contract sum of the two intended stand-alone security service contracts for HOS estates;
  - approximately HK\$1.1 million, being the proposed cash deposit collateral to secure the estimated performance bond of approximately HK\$2.8 million to be issued by our bank to the Housing Authority for tendering the two intended stand-alone security service contracts for HOS estates; and
  - approximately HK\$2.4 million, being the remaining amount to tender for other contracts for HOS estates, public facilities, private residential or industrial properties;
- (d) approximately HK\$0.8 million (representing approximately 1.8% of the net proceeds) will be applied to upgrade our computer systems and develop a mobile application with an aim to improve our operational efficiency and enhance the quality of services; and
- (e) the balance of approximately HK\$0.7 million (representing approximately 1.5% of the net proceeds) as general working capital of our Group.

As shown above, more than half of our net proceeds will be applied towards the two intended property management service contracts which are expected to be open for tender in 2018. Prior to the Listing, when we tendered for new service contracts or had to finance the working capital requirements of the service contracts, the necessary funding primarily came from a combination of our internal resources, bank borrowings and factoring facilities. As debt financing has been one of our key methods in raising capital, it has led to additional financial burden on our Group due to on-going obligation to pay interests, and as at 30 April 2017, our Group's gearing ratio stood at approximately 45.4%. Provision of property management services to the Housing Authority is capital intensive as the relevant service contracts require us to purchase performance bonds, as well as retain certain minimum working capital level. Moreover, as stipulated in the property management service contracts with the Housing Authority, the Housing Authority normally makes payments to us for our services rendered within around 50–60 days from the date of delivery of our monthly statement, which means we normally need to have a working capital level that is sufficient to pay for approximately 2 months of operating expenses before we receive any payment from the Housing Authority. Given the aforesaid capital requirements, raising equity capital via the Listing is therefore vital to our business as it not only reduces our financial burden and hence our overall gearing, but it also improves our ability to raise additional debt with a bigger equity base to support further business growth in the future, if necessary. Lastly, as at 31 August 2017, based on unaudited management accounts, our cash and bank balance amounted to approximately HK\$3.1 million, and such cash and bank balance is not sufficient in satisfying the funding requirements for the two intended property management service contracts (as shown above, the working capital equivalent to estimated two months' contract sum of the two intended property management service contracts is approximately HK\$15.2 million and the proposed cash deposit collateral to secure the estimated performance bond of approximately HK\$16.8 million for tendering the two intended property management service contracts is approximately HK\$10.1 million). Furthermore, despite that as at 31 August 2017 we had unutilised banking facilities of approximately HK\$57.3

## FUTURE PLANS AND USE OF PROCEEDS

million, such facilities will be partially utilised to settle the special dividend HK\$10.0 million and repay loans from shareholders of approximately HK\$16.4 million before the Listing. Our remaining unutilised banking facilities comprised of both bank overdrafts and facilities for obtaining factoring loans. As the majority of such unutilised banking facilities comprised of bank facilities for obtaining factoring loans, and these bank facilities can only be used for obtaining factoring loans and not the purchase of performance bonds for service contracts from the Housing Authority, our unutilised banking facilities are therefore not sufficient to finance the two intended property management service contracts. As such, we have a need to raise additional capital and as explained above, equity fundraising is our preferred fundraising method to finance the two intended property management service contracts as we do not wish to further increase our gearing, which can ultimately lead to our decreased ability to service debt obligations and meet certain bank covenants.

Assuming that we successfully tender for the two intended property management service contracts from the Housing Authority, we will have almost fully utilised the remaining effective units of 19,822 under the WCL. As such, we will not be able to take on more property management service contracts from the Housing Authority under the current WCL. We therefore decided to allocate approximately HK\$11.2 million, or 25.2% of our net proceeds, on tendering for four additional stand-alone cleaning or security service contracts from the Housing Authority in 2018 to further strength our relationship with the Housing Authority and our market position in PRH estates. Although our tender success rate for stand-alone service contracts was low during the Track Record Period, as disclosed in the paragraph headed “Business — Tender success rate”, the reason for such low tender success rate was because we had limited resources and therefore submitted those tenders with less competitive pricing terms as the main purpose of those tenders was to maintain our relationship with the Housing Authority and to evaluate the latest market development and pricing trends. Our tender success rate for stand-alone service contracts during the Track Record Period is therefore not an accurate indicator of how likely we will win the tenders for these four additional stand-alone cleaning or security service contracts in 2018. Our Directors believe that we have a reasonable good chance of securing these additional stand-alone service contracts from the Housing Authority because according to the HA Guide, only the better-performed PSAs will be invited to express interest for the submission of tenders and in the past five years, we ranked among the top three PSAs in terms of our quarterly ratings in the PSAs Performance Assessment System of the Housing Authority. In addition, although stand-alone service contracts are less profitable than property management service contracts as they have lower margins, given the fact that we will have substantially used up the remaining effective units under the WCL after factoring in the two intended property management service contracts, we believe the stand-alone service contracts will still earn us a reasonable margin and will contribute positively to our profitability. Furthermore, the provision of stand-alone security or cleaning services to public estates of the Housing Authority will strengthen our chance of successfully tendering for the property management service contracts for those estates should they be up for tender and should the WCL be increased in the future to allow us to tender for more property management service contracts from the Housing Authority.

In arriving at the net proceeds required for the additional working capital and the purchase of performance bonds for the aforesaid additional property management service contracts and stand-alone service contracts which we will tender for in 2018, we first estimated the contract sum of the relevant contracts. In calculating the estimated contract sum, we have mainly taken into account the number of units of the relevant estates and based on experience with our existing service contracts, the headcount and related operating expenses needed to manage those estates.

## **FUTURE PLANS AND USE OF PROCEEDS**

In addition to the net proceeds to be applied towards the two intended property management service contracts and the four intended stand-alone service contracts from the Housing Authority, 13.5% of our net proceeds from the Share Offer (equivalent to approximately HK\$6.0 million) will be applied to undertake additional property management service contracts or stand-alone service contracts for HOS estates, public facilities, private residential or industrial properties. As disclosed in the paragraph headed “Business — Business strategies”, as it is expected that there will be an increasing number of HOS units being built and that property management of HOS estates is not subject to WCL, we plan to expand our business by tendering for more service contracts for HOS estates. Leveraging on our long and established relationship with the Housing Authority and to capture business opportunities in HOS estates, during the Track Record Period, we successfully obtained two property management service contracts in respect of two HOS estates.

Out of the net proceeds to be applied to undertake additional service contracts for HOS estates, public facilities, private residential or industrial properties, we intend to apply approximately HK\$3.6 million to tender for two stand-alone security contracts for two HOS estates during the year ending 31 December 2018 in order to strengthen our market position in HOS estates. We believe obtaining the stand-alone contracts of these HOS estates will give us an advantage in securing the property management service contracts of these HOS estates should they become available for tender in the future. Other than HOS estates, depending on tender opportunities from other government/public bodies or private/industrial properties, we will also allocate a portion of our net proceeds to tender for these contracts during the year ending 31 December 2019.

### **IMPLEMENTATION PLANS**

In pursuance of the business strategies and future plans set out in the paragraph headed “Business — Business strategies” in this prospectus, the implementation plans of our Group are set forth below. Prospective investors should note that the following implementation plans are formulated on the bases and assumptions as referred to in the paragraph headed “Bases and key assumptions” under this section. 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” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all.

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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<b>Period</b>	<b>Item</b>	<b>Cost</b> <i>HK\$ million</i>
From the Latest Practicable Date to 31 December 2017	Upgrading our computer systems and developing a mobile application for the use of our staff	0.5
	<b>Sub-total for the period</b>	<b>0.5</b>
From 1 January 2018 to 30 June 2018	Upgrading our computer systems and developing a mobile application for the use of our staff	0.3
	Two months' working capital and staff costs to be paid upfront for one newly awarded property management service contract from the Housing Authority	3.9
	Cash collateral of performance bond to be provided for two newly awarded property management service contracts from the Housing Authority	10.1
	Capital expenditure including purchasing furniture and office equipment for one newly awarded property management service contract from the Housing Authority	0.2
	Cash collateral of performance bond to be provided for two newly awarded cleaning service contracts from the Housing Authority	1.0
	Two months' working capital and staff costs to be paid upfront for two newly awarded cleaning service contracts from the Housing Authority	2.2
	Cash collateral of performance bond to be provided for one newly awarded security service contract for an HOS estate	0.3

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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<b>Period</b>	<b>Item</b>	<b>Cost</b> <i>HK\$ million</i>
	Two months' working capital and staff costs to be paid upfront for one newly awarded security service contract for an HOS estate	0.7
		18.7
	<b>Sub-total for the period</b>	<b>18.7</b>
From 1 July 2018 to 31 December 2018	Two months' working capital and staff costs to be paid upfront for one newly awarded property management service contract from the Housing Authority	11.3
	Capital expenditure including purchasing furniture and office equipment for one newly awarded property management service contract from the Housing Authority	0.3
	Cash collateral of performance bond to be provided for one newly awarded security service contract for an HOS estate	0.8
	Two months' working capital and staff costs to be paid upfront for one newly awarded security service contract for an HOS estate	1.8
	Cash collateral of performance bond to be provided for one newly awarded security service contract from the Housing Authority	1.7
	Two months' working capital and staff costs to be paid upfront for one newly awarded security service contract from the Housing Authority	3.8
	Cash collateral of performance bond to be provided for one newly awarded cleaning service contracts from the Housing Authority	0.8

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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<b>Period</b>	<b>Item</b>	<b>Cost</b> <i>HK\$ million</i>
	Two months' working capital and staff costs to be paid upfront for one newly awarded cleaning service contracts from the Housing Authority	1.7 <hr/>
	<b>Sub-total for the period</b>	<b>22.2</b> <hr/> <hr/>
From 1 January 2019 to 30 June 2019	Undertaking additional service contracts for HOS estates, public facilities, private residential or industrial properties	1.2 <hr/>
	<b>Sub-total for the period</b>	<b>1.2</b> <hr/> <hr/>
From 1 July 2019 to 31 December 2019	Undertaking additional service contracts for HOS estates, public facilities, private residential or industrial properties	1.2 <hr/>
	<b>Sub-total for the period</b>	<b>1.2</b> <hr/> <hr/>

## FUTURE PLANS AND USE OF PROCEEDS

The following table summarises how the net proceeds to be received by us from the Share Offer are intended to be applied (other than general working capital) and the timing of application:

	For the six months ending						Approximate % of the total net proceeds
	From the Latest Practicable Date to	30 June		31 December		Total	
	31 December 2017	2018	2018	2019	2019		
(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)		
Satisfying the additional working capital requirement by the Housing Authority and additional cash to be deposit as collateral of the performance bond for tendering for additional property management service contracts from the Housing Authority	—	14.2	11.6	—	—	25.8	58.0%
As additional working capital and satisfying additional cash to be deposited as collateral of the performance bond for tendering for additional stand-alone cleaning or security service contracts from the Housing Authority	—	3.2	8.0	—	—	11.2	25.2%
Undertaking additional service contracts for HOS estates, public facilities, private residential or industrial properties	—	1.0	2.6	1.2	1.2	6.0	13.5%
Upgrading our computer systems and development of a mobile application	0.5	0.3	—	—	—	0.8	1.8%
Total	<u>0.5</u>	<u>18.7</u>	<u>22.2</u>	<u>1.2</u>	<u>1.2</u>	<u>43.8</u>	<u>98.5%</u>

The balance of approximately HK\$0.7 million (representing approximately 1.5% of the net proceeds from the Share Offer) will be used as general working capital of our Group.

If the Offer Price is set above HK\$0.34, being the mid-point Offer Price range, the net proceeds to be received by the Share Offer will increase up to approximately HK\$51.9 million. In such event, we will accordingly increase the net proceeds allocated for the purpose of undertaking additional service contracts for HOS estates, public facilities, private residential or industrial properties. If the Offer Price is set below HK\$0.34, being the mid-point Offer Price range, the net proceeds to be received by the Share Offer will decrease to no less than approximately HK\$37.1 million. In such event, we will use the net proceeds to implement our future plans in the following priorities: firstly, as additional working capital to support tendering for the two intended property management service contracts from the Housing Authority up to an amount of approximately HK\$25.8 million, then to tender for the four additional stand-alone cleaning or security service contracts from the Housing Authority up to an amount of approximately HK\$11.2 million.

## **FUTURE PLANS AND USE OF PROCEEDS**

To the extent that the net proceeds of the Share Offer are not immediately applied to the above purposes, it is the present intention of our Directors that such proceeds will be deposited into interest-bearing bank accounts with licensed banks.

Investors should be aware that any part of our Group's business plan may not proceed according to the time frame as mentioned above due to various factors. In such circumstances, our Directors will evaluate the situations carefully and may reallocate the intended funding to our other future plans and/or to place the proceeds in interest bearing accounts with licensed banks so long as we consider it to be in the best interest our Company and our Shareholders taken as a whole.

### **REASONS FOR SHARE OFFER**

Our Directors consider that the provision of property management services is capital intensive. According to 2017 Policy Address, the Government will continue to increase the public housing supply in a fast pace and aim to build over 94,000 public housing units in the fiscal years 2016/17 to 2020/21. Due to the Government's limited resources, our Directors believe that the Government will continue its policy to outsource property management services, which creates an opportunity for ample business growth of our Group. To tender for new service contracts from the Housing Authority, we are required to (i) provide performance bond issued by a Hong Kong licenced bank which requires us to deposit a certain percentage of the total value of the performance bond as collateral, and (ii) retain a minimum working capital level equivalent to a portion of the contract sum of all service contracts undertaken by us. Moreover, to manage a new estate, we require additional working capital to set up a new estate management team and to hire new direct labour to carry out the necessary services such as security and cleaning services.

Prior to the Listing, funding of our business activities primarily came from our internally generated cash flow, bank borrowings and factoring facilities. Hence, our Directors believe that the Listing is essential for the future development and expansion of our Group as not only can it raise our equity capital base and allow our Group access to the capital market to fund future business development, but also enable us to seek bank financing and negotiate performance bonds at more favourable terms as listed company.

Apart from raising equity capital via Listing, our Directors have considered debt financing as another fund-raising option. Our Directors consider that debt financing will inevitably increase our gearing and increase our credit risk should our equity base not be increased simultaneously to support the additional debt level. It also incurs additional interest and imposes additional financial burden on our Group. Our Group's gearing ratio was approximately 45.4% as at 30 April 2017.

Based on the above, our Directors believe that the Share Offer will be the suitable fund-raising means to provide our Group with additional equity capital for our business strategies. Please refer to the paragraph headed "Business — Business strategies" in this prospectus for more details of our business strategies.



## FUTURE PLANS AND USE OF PROCEEDS

### BASES AND KEY ASSUMPTIONS

Prospective investors should note that the attainability of our Group's business objectives depends on the following general assumptions and specific assumptions:

#### General Assumptions

- we are not materially or adversely affected by any change(s) in existing governmental policies or political, legal (including changes in legislations or regulations or rules), fiscal market, or economic conditions in Hong Kong or any other countries or territories in which we carries or will carry on business;
- we are not materially or adversely affected by any change(s) in bases or rates of taxation or duties in Hong Kong or any other countries or territories in which we carries or will carry on business or is incorporated;
- we are not materially or adversely affected by any change(s) in inflation rates, interest rates or exchange rates from those currently prevailing which will adversely affect our business;
- there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations or cause substantial loss, damage or destruction to our property or facilities;
- our operating activities will not adversely affected by critical shortage of labour shortages and disputes, or any other factors outside the control of our management such as government act;

#### Specific Assumptions

- the Share Offer will be completed in accordance with and as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus;
- our Group is not adversely affected by any of the risk factors set out in the section headed "Risk Factors" in this prospectus;
- it is assumed that the forecasts have been prepared taking into account of our Directors' and key senior management's continued involvement in our operations. In addition, it is assumed that we are able to retain our key management and personnel during the period covered by the forecasts;
- there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objective relates;
- we will be awarded at least two property management service contracts by the Housing Authority for estates with an aggregate number of residential units of not less than 18,000 units before 31 December 2018;

## **FUTURE PLANS AND USE OF PROCEEDS**

- there will be no change in the effectiveness of the licences, permits and qualifications obtained by us and we remain on the HA List of PSAs;
- we will be able to obtain all necessary licences after the Property Management Services Ordinance becomes fully effective and we will continue to be able to renew all licences;
- there will be no significant changes in our business relationship with the Housing Authority; and
- we will be able to continue our operation in substantially the same manner as it has been operating during the Track Record Period and we will also be able to carry out its development plans without disruptions.

## UNDERWRITING

### **JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS**

Huabang Securities Limited  
Ballas Capital Limited

### **UNDERWRITERS**

#### **Public Offer Underwriters**

Huabang Securities Limited  
Ballas Capital Limited  
Quasar Securities Co., Limited  
Pacific Foundation Securities Limited  
Freeman Securities Limited

#### **Placing Underwriters**

Huabang Securities Limited  
Ballas Capital Limited  
Quasar Securities Co., Limited  
Pacific Foundation Securities Limited  
Freeman 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 of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriter 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.

## UNDERWRITING

### Grounds for termination

Ballas Capital (for itself and on behalf of the Public Offer Underwriters) 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, the Cayman Islands, the BVI or any relevant jurisdiction;
- (ii) any adverse change (whether or not permanent) in local, national or international stock market conditions;
- (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;
- (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (v) any adverse change in the business or in the financial or trading position of our Group or otherwise;
- (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, the Cayman Islands, the BVI, or any relevant jurisdiction;
- (vii) a general moratorium on commercial banking business activities in Hong Kong, 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 absolute opinion of Ballas Capital (for itself and on behalf of the Public Offer Underwriters):

- (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.

## UNDERWRITING

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 Ballas Capital (for itself and on behalf of the Public Offer Underwriters):

- (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 absolute opinion of the Sole Sponsor and the Joint Lead Managers, to be material in the context of the Public Offer;
- (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 absolute 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 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 absolute 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, the executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement,

Ballas Capital (for itself and on behalf of the Public Offer Underwriters) shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Public Offer Underwriting Agreement.

### **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, except pursuant to the Capitalisation Issue, the Share Offer and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities of our Company (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 at any time 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/she 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/her 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

## UNDERWRITING

otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owners (whether direct or indirect); 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, the Controlling Shareholders would cease to be a group of 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 and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) in the event that it/he/she pledges or charges any direct or indirect interest in our Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in our Shares under paragraph (a) above, inform our Company immediately in the event that it/he/she becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall 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 Controlling Shareholders*

Each of our Controlling Shareholders undertakes with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that:

- (a) it/he/she shall not, and shall procure that its/his/her associates or companies controlled by it/him/her or nominees or trustees holding in trust for it/him/her shall not, sell, transfer or otherwise dispose of (including without limitation the creation of any option, rights or interests over or pledge or charge as security) any of the Shares or securities of our Company owned by it/him/her or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by it/him/her which is directly or indirectly the beneficial owner of any of the Shares or securities of our Company) immediately following the completion of the Share Offer (“**Relevant Securities**”) within the period commencing on

## UNDERWRITING

the date by reference to which disclosure of the shareholding of such person(s) is made in the Prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”) save with the prior written consent of Ballas Capital (for itself and on behalf of the Public Offer Underwriters); and

- (b) it/he/she shall not, and shall procure that none of it/his/her associates or companies controlled by it/him/her or nominees or trustees holding in trust for it/him/her shall, within the further period of six months immediately after the expiry of the First Lock-up Period (“**Second Lock-up Period**”), sell, transfer or otherwise dispose of (including without limitation the creation of any option, rights or interests over or pledge or charge as security) any of the Relevant Securities, if immediately following such sale, transfer or disposal, the Controlling Shareholders collectively would cease to be a group of controlling shareholders (within the meaning of the GEM Listing Rules) of our Company, and that in the event of any such sale, transfer or disposal, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares during the progress of such sale, transfer or disposal or after the completion thereof.

*By our Company*

Our Company undertakes to and covenants with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, and each of the Controlling Shareholders and the Executive Directors jointly and severally undertakes and covenants with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters to procure that, without the prior written consent of Ballas Capital (for itself and on behalf of the Public Offer Underwriters), and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued pursuant to the Capitalisation Issue or exercise of the options which may be granted under the Share Option Scheme, the grant of any options under the Share Option Scheme, or by way of scrip dividend schemes or similar arrangements in accordance with the articles of association of our Company, neither our Company nor any of our subsidiaries from time to time shall:

- (a) in each case, whether conditionally or unconditionally, allot and issue or agree to allot and issue or offer any shares in our Company or any subsidiary of our Company from time to time or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of our Company or any subsidiary of our Company from time to time during the First Lock-up Period; or
- (b) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any share capital or securities or any interest therein during the First Lock-up Period; or
- (c) offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise during the First Lock-up Period (whether or not such issue of Shares or securities will be completed within such period); or

## UNDERWRITING

- (d) allot and issue or agree to allot and issue any of the shares or other interests referred to in (a) above during the Second Lock-up Period if, immediately following such allotment and issue, (i) the Controlling Shareholders, either individually or taken together with the others of them, would cease to be a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company or the single largest shareholder of our Company; and/or (ii) there expects to be a disorderly or false market for the shares or any other securities of our Company; or
- (e) purchase any Shares or securities of our Company from the date of the Public Offer Underwriting Agreement up to the end of the Second Lock-up Period.

### **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 Underwriter(s) will severally agree to subscribe or procure subscribers 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 Underwriter(s) 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 paragraph “Underwriting arrangements and expenses — Public Offer Underwriting Agreement — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

### **Commission and expenses**

The Underwriters will receive a gross commission of 7.0% 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. 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\$23.5 million in aggregate (based on an Offer Price of HK\$0.34 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$0.30 to HK\$0.38 per Share) and is paid or payable by our Company.



## UNDERWRITING

### **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 entered into between Ballas Capital and our Company (the "**Compliance Adviser's Agreement**"), our Company appoints Ballas Capital and Ballas Capital 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**

Ballas Capital, being 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 Ballas Capital as the Sole Sponsor 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 Ballas Capital 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 Ballas Capital 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 Ballas Capital has a directorship in our Company or any other company in our Group.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### STRUCTURE OF THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of an aggregate of 20,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (ii) the Placing of 180,000,000 Placing Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to 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 Ballas Capital (for itself 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](http://www.hkexnews.hk) and our Company's website at [www.modernliving.com.hk](http://www.modernliving.com.hk) on the next business day following such lapse.

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

### **THE PUBLIC OFFER**

#### **Number of Shares initially offered**

We are initially offering 20,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to institutional professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing 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 20,000,000 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, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on 9 November 2017 through a variety of channels as described in paragraph headed "How to Apply for Public Offer Shares — 11. Publication of results".

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### 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, Ballas Capital 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 40,000,000 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 60,000,000 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 60,000,000 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 80,000,000 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 80,000,000 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 100,000,000 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 Ballas Capital deem appropriate. In addition, Ballas Capital may in its 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, Ballas Capital will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as it deems appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

## STRUCTURE AND CONDITIONS OF THE SHARE 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 180,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be upon exercise of options granted under the Share Option Scheme.

#### Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriter(s). The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the bookbuilding process described in the paragraph headed "Offer price" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint 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 Monday, 6 November 2017. If Ballas Capital (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Monday, 6 November 2017, the Share Offer will not become unconditional and will not proceed. Ballas Capital (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.modernliving.com.hk](http://www.modernliving.com.hk) an announcement of such change on or before the Price Determination Date. Prospective investors of the

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

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](http://www.hkexnews.hk) and our Company's website at [www.modernliving.com.hk](http://www.modernliving.com.hk) a notice of the change and if applicable the revised date.

### **Offer Price range**

The Offer Price will not be more than HK\$0.38 per Offer Share and is expected to be not less than HK\$0.30 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\$0.38 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.38 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,838.29 per board lot of 10,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.38 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](http://www.hkexnews.hk) and our Company's website at [www.modernliving.com.hk](http://www.modernliving.com.hk) on Thursday, 9 November 2017.

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

Dealings in the Shares on GEM are expected to commence on Friday, 10 November 2017. The Shares will be traded in board lots of 10,000 Shares each and are freely transferable. The GEM stock code for the Shares is 8426.

### **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.

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

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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Our Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of our Company at [www.modernliving.com.hk](http://www.modernliving.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKExnews > Listed Company Information> Latest Listed Company Information” section, respectively.

Anyone may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 2017 at the following locations:

1. the following branches of Bank of China (Hong Kong) Limited:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
Hong Kong Island	Chai Wan Branch	Block B, Walton Estate, 341–343 Chai Wan Road, Chai Wan
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
New Territories	Kau Yuk Road Branch	18–24 Kau Yuk Road, Yuen Long
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

2. the following offices of the Joint Lead Managers:

<p><b>Huabang Securities Limited</b> Unit 2901–02, 29/F Enterprise Square Two 3 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong</p>	<p><b>Ballas Capital Limited</b> Unit 1802, 18/F, 1 Duddell Street Central Hong Kong</p>
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3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

During normal business hours from 9:00 a.m. on Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 2017, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed, as set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

### 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](http://www.hkeipo.hk) or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or 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 US Securities Act); and
- are not a legal or natural person of the People’s Republic of China.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members’ names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation’s chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney’s authority.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** 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 any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 October 2017 to 12:00 noon on Friday, 3 November 2017 from:

(i) *the following offices of the Joint Lead Managers:*

**Huabang Securities Limited**

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

**Ballas Capital Limited**

Unit 1802, 18/F, 1 Duddell Street  
Central  
Hong Kong

## HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch	Address
Hong Kong Island	Chai Wan Branch	Block B, Walton Estate, 341–343 Chai Wan Road, Chai Wan
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
New Territories	Kau Yuk Road Branch	18–24 Kau Yuk Road, Yuen Long
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 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 "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — MODERN LIVING PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, 31 October 2017 — 9:00 a.m. to 5:00 p.m.  
 Wednesday, 1 November 2017 — 9:00 a.m. to 5:00 p.m.  
 Thursday, 2 November 2017 — 9:00 a.m. to 5:00 p.m.  
 Friday, 3 November 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 3 November 2017, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 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 or applying through the **HK eIPO White 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 Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies 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 Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, 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 Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective

## HOW TO APPLY FOR PUBLIC OFFER SHARES

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 US Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you 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 Bookrunners 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; 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

## 5. APPLYING THROUGH **HK eIPO WHITE FORM**

### General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, 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**.

### Time for Submitting Applications under the **HK eIPO White Form**

You may submit your application through the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 31 October 2017 until 11:30 a.m. on Friday, 3 November 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 3 November 2017 or such later time under the paragraph headed “10. Effects of bad weather on the opening of the application lists” in this section.

### No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Centre  
1/F, One & Two Exchange Square,  
8 Connaught Place,  
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

#### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

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- 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 Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the 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 Branch Share Registrar, receiving bank, the Joint Bookrunners, 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



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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;

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- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

9:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Tuesday, 31 October 2017  
8:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Wednesday, 1 November 2017  
8:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Thursday, 2 November 2017  
8:00 a.m. to 12:00 noon<sup>(1)</sup>, Friday, 3 November 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 Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 3 November 2017, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

### 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**

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**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 Branch Share Registrar, the receiving bank, the Joint Bookrunners, 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 Public Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, 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** 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/CCAS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 3 November 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,

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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 **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, 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 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer — Offer Price” in this prospectus.

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### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 November 2017.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 3 November 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” in 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 Thursday, 9 November 2017 on our Company’s website at [www.modernliving.com.hk](http://www.modernliving.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.modernliving.com.hk](http://www.modernliving.com.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Thursday, 9 November 2017;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 9 November 2017 to 12:00 midnight on Wednesday, 15 November 2017;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 9 November 2017 to Tuesday, 14 November 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 9 November 2017 to Monday, 13 November 2017 at the designated receiving bank branches.

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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” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 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**, 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 Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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### (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** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% 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\$0.38 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" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 9 November 2017.



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### 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 Thursday, 9 November 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 10 November 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

##### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183



## HOW TO APPLY FOR PUBLIC OFFER SHARES

Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 9 November 2017 or such other date as notified by our Company on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or the website of our Company at [www.modernliving.com.hk](http://www.modernliving.com.hk).

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 9 November 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 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 9 November 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 9 November 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 November 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### *(iii) If you apply through the HK eIPO White Form*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 9 November 2017, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 9 November 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

### *(iv) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 9 November 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of results" above in this section on Thursday, 9 November 2017.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 November 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 9 November 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 9 November 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 set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of 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.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MODERN LIVING INVESTMENTS HOLDINGS LIMITED AND BALLAS CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of Modern Living Investments Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-47, which comprises the combined statements of financial position as at 31 December 2015 and 2016 and 30 April 2017, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-47 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 October 2017 (the "Prospectus") in connection with the share offer of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 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 accountant's 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 accountant's 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 accountant considers 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 presentation and preparation set out in Notes 1.3 and 2.1 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 accountant's report, a true and fair view of the combined financial position of the Group as at 31 December 2015 and 2016 and 30 April 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the combined statements of comprehensive income, changes in equity and cash flows for the four months ended 30 April 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 presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant

matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 14 to the Historical Financial Information which states that no dividends have been paid by Modern Living Investments Holdings Limited in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong

31 October 2017

**I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended</b>		<b>Four months ended</b>	
		<b>31 December</b>		<b>30 April</b>	
		<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)			
Revenue	6	303,632	344,464	114,320	116,651
Other income	7	642	406	103	101
Other (losses)/gains, net	8	(963)	132	(225)	14
Employee benefit expenses	10	(247,900)	(294,164)	(96,271)	(107,525)
Subcontracting cleaning and cleaning material costs		(33,593)	(18,245)	(9,319)	(1,368)
Utilities expenses		(2,084)	(2,012)	(676)	(407)
Depreciation	16	(1,490)	(1,874)	(612)	(710)
Other operating expenses		<u>(13,457)</u>	<u>(11,663)</u>	<u>(3,512)</u>	<u>(2,941)</u>
Operating profit	9	<u>4,787</u>	<u>17,044</u>	<u>3,808</u>	<u>3,815</u>
Finance income		328	5	3	1
Finance costs		<u>(2,173)</u>	<u>(1,075)</u>	<u>(393)</u>	<u>(301)</u>
Finance costs, net	12	<u>(1,845)</u>	<u>(1,070)</u>	<u>(390)</u>	<u>(300)</u>
Profit before income tax		2,942	15,974	3,418	3,515
Income tax expense	13	<u>(847)</u>	<u>(2,674)</u>	<u>(627)</u>	<u>(590)</u>
<b>Profit for the year/period</b>		<u>2,095</u>	<u>13,300</u>	<u>2,791</u>	<u>2,925</u>

		Year ended 31 December		Four months ended 30 April	
		2015	2016	2016	2017
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Other comprehensive income/(loss):</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of employee benefit obligations	27	<u>1,576</u>	<u>1,306</u>	<u>849</u>	<u>(161)</u>
Other comprehensive income/(loss) for the year/period, net of tax		<u><u>1,576</u></u>	<u><u>1,306</u></u>	<u><u>849</u></u>	<u><u>(161)</u></u>
<b>Total comprehensive income for the year/period</b>		<u><u>3,671</u></u>	<u><u>14,606</u></u>	<u><u>3,640</u></u>	<u><u>2,764</u></u>
<b>Earnings per share</b>	15	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>



## COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at
		2015	2016	30 April
	Notes	HK\$'000	HK\$'000	2017
				HK\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Plant and equipment	16	5,783	6,822	6,528
Retention money receivables	18	1,113	1,513	1,595
Investment in an insurance contract	17	1,988	2,053	2,067
		<u>8,884</u>	<u>10,388</u>	<u>10,190</u>
<b>Current assets</b>				
Financial assets at fair value through profit or loss	19	1,953	—	—
Trade and unbilled receivables	18	54,521	65,298	73,502
Prepayments, deposits and other receivables	18	7,251	5,977	8,453
Tax recoverable		294	—	—
Pledged bank deposits	20	33,861	36,554	36,555
Cash and bank balances	21	2,681	25,058	13,006
		<u>100,561</u>	<u>132,887</u>	<u>131,516</u>
<b>Total assets</b>		<u>109,445</u>	<u>143,275</u>	<u>141,706</u>
<b>EQUITY</b>				
<b>Equity attributable to the owners of the Company</b>				
Capital	22	21,460	21,460	21,460
Reserves	22	25,534	40,140	42,904
<b>Total equity</b>		<u>46,994</u>	<u>61,600</u>	<u>64,364</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	26	634	618	674
Borrowings	24	632	1,953	1,784
		<u>1,266</u>	<u>2,571</u>	<u>2,458</u>
<b>Current liabilities</b>				
Trade payables	23	7,163	238	312
Other payables and accrued liabilities	23	26,377	28,521	28,370
Borrowings	24	10,321	31,146	27,469
Loans from shareholders	25	17,324	17,388	16,388
Taxation payable		—	1,811	2,345
		<u>61,185</u>	<u>79,104</u>	<u>74,884</u>
<b>Total liabilities</b>		<u>62,451</u>	<u>81,675</u>	<u>77,342</u>
<b>Total equity and liabilities</b>		<u>109,445</u>	<u>143,275</u>	<u>141,706</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	<b>Capital</b> <i>HK\$'000</i> <i>(Note 22(a))</i>	<b>Contribution</b> <b>reserve</b> <i>HK\$'000</i> <i>(Note 22(b))</i>	<b>Retained</b> <b>earnings</b> <i>HK\$'000</i>	<b>Total equity</b> <i>HK\$'000</i>
<b>Balance as at 1 January 2015</b>	21,460	810	21,053	43,323
Profit for the year	—	—	2,095	2,095
Other comprehensive income: Remeasurements of employee benefit obligations	—	—	1,576	1,576
Total comprehensive income	—	—	3,671	3,671
<b>Balances at 31 December 2015</b>	<u>21,460</u>	<u>810</u>	<u>24,724</u>	<u>46,994</u>
<b>Balance at 1 January 2016</b>	21,460	810	24,724	46,994
Profit for the year	—	—	13,300	13,300
Other comprehensive income: Remeasurements of employee benefit obligations	—	—	1,306	1,306
Total comprehensive income	—	—	14,606	14,606
<b>Balance at 31 December 2016</b>	<u>21,460</u>	<u>810</u>	<u>39,330</u>	<u>61,600</u>
<b>Balance at 1 January 2017</b>	21,460	810	39,330	61,600
Profit for the period	—	—	2,925	2,925
Other comprehensive loss: Remeasurements of employee benefit obligations	—	—	(161)	(161)
Total comprehensive income	—	—	2,764	2,764
<b>Balance at 30 April 2017</b>	<u>21,460</u>	<u>810</u>	<u>42,094</u>	<u>64,364</u>
<b>Balance at 1 January 2016</b>	21,460	810	24,724	46,994
Profit for the period (Unaudited)	—	—	2,791	2,791
Other comprehensive income: Remeasurements of employee benefit obligations (Unaudited)	—	—	849	849
Total comprehensive income (Unaudited)	—	—	3,640	3,640
<b>Balance at 30 April 2016 (Unaudited)</b>	<u>21,460</u>	<u>810</u>	<u>28,364</u>	<u>50,634</u>

## COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		Four months ended	
		2015	2016	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Cash flows from operating activities</b>					
Net cash generated from/(used in) operations	28	1,214	3,772	(7,050)	(5,814)
Hong Kong profits tax paid		(812)	(585)	—	—
<b>Net cash generated from/(used in) operating activities</b>		<u>402</u>	<u>3,187</u>	<u>(7,050)</u>	<u>(5,814)</u>
<b>Cash flows from investing activities</b>					
Purchases of plant and equipment		(1,613)	(1,512)	(463)	(416)
Proceeds from disposal of plant and equipment		—	1,216	279	—
Interest received		328	5	3	1
Increase in pledged bank deposits		(4,982)	(2,693)	(2,691)	(1)
Dividend received from financial assets at fair value through profit or loss		113	118	58	—
Proceeds from disposal of available-for-sale financial assets		1,869	—	—	—
(Purchases)/proceeds from disposal of financial assets at fair value through profit or loss		(541)	1,948	(216)	—
<b>Net cash used in investing activities</b>		<u>(4,826)</u>	<u>(918)</u>	<u>(3,030)</u>	<u>(416)</u>
<b>Cash flows from financing activities</b>					
Interest paid		(1,389)	(948)	(313)	(265)
Proceeds from bank borrowings		4,230	26,033	12,664	3,145
Repayment of bank borrowings		(1,189)	(11,472)	(970)	(6,829)
Repayment of finance lease liabilities		(231)	(1,019)	(105)	(198)
Repayment of loans from shareholders		—	—	—	(1,000)
(Advance to)/repayment from a director		(1,818)	1,518	1,518	—
Prepayment of listing expenses		—	—	—	(675)
<b>Net cash (used in)/generated from financing activities</b>		<u>(397)</u>	<u>14,112</u>	<u>12,794</u>	<u>(5,822)</u>
Net (decrease)/increase in cash and cash equivalents		(4,821)	16,381	2,714	(12,052)
<b>Cash and cash equivalents at beginning of the year/period</b>		<u>7,502</u>	<u>2,681</u>	<u>2,681</u>	<u>19,062</u>
<b>Cash and cash equivalents at end of the year/period</b>	21	<u>2,681</u>	<u>19,062</u>	<u>5,395</u>	<u>7,010</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

#### 1.1 General information

The Company was incorporated in the Cayman Islands on 26 June 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and the companies shown in Note 1.2 below now comprising the Group (together, the "Group") are engaged in the provision of property management and related services in Hong Kong (the "Listing Business").

The financial information of the Listing Business contained in this Prospectus does not constitute the statutory annual financial statements for any of the financial years ended 31 December 2015 and 2016 of Modern Living Property Management Limited but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As Modern Living Property Management Limited is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The auditors of Modern Living Property Management Limited has reported on these financial statements for all two years. The auditors' reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

#### 1.2 Reorganisation

Prior to the incorporation of the Company and the reorganisation as described below, the Listing Business was carried out by Modern Living Property Management Limited, a company incorporated in Hong Kong (the "Operating Subsidiary"). The Operating Subsidiary was previously held by Ms. Tam Mo Kit ("Ms. Tam") as to 45.24%, Mr. Sung Alfred Lee Ming ("Mr. Sung") as to 13.33%, Mr. Ho Chu Ming ("Mr. C. M. Ho") as to 11.43%, Mr. Tang Kong Fuk ("Mr. Tang") as to 10.48%, Ms. Yeung Siu Wen ("Ms. Yeung") as to 9.52%, Ms. Lok Sau Lin ("Ms. Lok") as to 5.71%, Mr. Yun Kwok King ("Mr. Yun") as to 1.91%, Mr. Ho Tik Wai ("Mr. T. W. Ho") as to 0.95%, Mr. Ho King Tung ("Mr. K. T. Ho") as to 0.95% and Mr. Yiu Ping Keung ("Mr. Yiu") as to 0.48%, respectively (collectively as the "Shareholders").

In preparation for the listing of the shares of the Company, the Group underwent a reorganisation (the "Reorganisation") as set out below:

- (i) On 23 June 2017, R5A Group Limited was incorporated in the British Virgin Islands ("BVI") with an authorised share capital of 50,000 shares with a par value of US\$1 each. On the date of incorporation, one share was allotted and issued as fully paid to Mr. Sung at par. On 6 July 2017, 950 shares, 279 shares, 240 shares, 220 shares, 20 shares, 10 shares of the issued share capital of R5A Group Limited were allotted to Ms. Tam, Mr. Sung, Mr. C.M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu at par, respectively. R5A Group Limited was set up as a corporate shareholder of the Company.
- (ii) On 26 June 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One share at par value was allotted and issued as fully paid to an initial subscriber at par, and was subsequently transferred to R5A Group Limited on the date of incorporation.
- (iii) On 27 July 2017, Modern Living Investments Limited was incorporated in the BVI with an authorised share capital of 50,000 shares with a par value of US\$1 each. On the date of incorporation, 1 share of Modern Living Investments Limited were allotted and issued at par to the Company as fully paid and it became a wholly-owned subsidiary of the Company.

- (iv) On 10 July 2017, the Shareholders transferred their respective holding of shares of the Operating Subsidiary, representing the entire issued share capital, to Modern Living Investments Limited in consideration of the Company allotting and issuing 1,719 shares, 200 Shares, 120 Shares, 40 Shares and 20 Shares to R5A Group Limited, Ms. Yeung, Ms. Lok, Mr. Yun and Mr. K. T. Ho respectively.

Following the Reorganisation, the Listing Business continues to be carried out by the Operating Subsidiary.

Upon completion of the Reorganisation, on 10 July 2017, and as at the date of this report, R5A Group Limited is considered as the ultimate holding company of the Company and the ultimate controlling party of the Group is Ms. Tam. The Company had direct or indirect interests in the following subsidiaries:

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Equity interest held as at			Principal activities and place of operation	Notes
				31 December 2015	2016	30 April 2017		
<b>Directly held</b>								
Modern Living Investments Limited	British Virgin Islands, limited liability company	26 June 2017	United States dollar ("USD") 1	N/A	N/A	N/A	Investment holding in Hong Kong	(i) & (iv)
<b>Indirectly held</b>								
Modern Living Property Management Limited	Hong Kong, limited liability company	17 October 2001	HK\$21,460,000	100%	100%	100%	Provision of property management services	(ii), (iii) & (iv)

*Notes:*

- (i) No audited statutory financial statements have been issued for this company as it is newly incorporated and not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (ii) The statutory financial statements of this company for the year ended 31 December 2016 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.
- (iii) The statutory financial statements of this company for the year ended 31 December 2015 were audited by FTW & Partners CPA Limited, Certified Public Accountants in Hong Kong.
- (iv) All companies comprising the Group have adopted 31 December as their financial year end date.

### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is conducted through the Operating Subsidiary. Pursuant to the Reorganisation, the Operating Subsidiary and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business conducted by the Operating Subsidiary and, for the purpose of this report, the Historical Financial Information has been prepared and presented using the carrying amounts of income, expenses, assets and liabilities of the Listing Business for all periods presented.

The Historical Financial Information has been prepared by combining the historical financial information of the Operating Subsidiary, under the same management immediately before and after the Reorganisation, and the companies now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the respective date of incorporation/establishment of the combining companies.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention, except that investment in an insurance contract is stated at its cash surrender value and financial assets at fair value through profit or loss are stated at fair value, as explained in Note 3 below.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

New standards and amendments to existing standards relevant to the Group that have been issued but are not effective and have not been early adopted

		<b>Effective for annual periods beginning on or after</b>
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to HKFRSs	Annual Improvements 2014–2016 cycle	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	Postponed indefinitely
Amendment to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments)	1 January 2018
Amendment to HKAS 40	Transfers of Investment Property (amendments)	1 January 2018
HKFRS 16	Leases	1 January 2019

The directors of the Company are in the process of assessing the financial impact on the Group of the adoption of the above new standards and amendments to existing standards. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

HKFRS 9 “Financial instruments” replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value on equity instruments in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. The new model applies to debt instruments measured at FVOCI, financial assets classified at amortised cost, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The HKFRS 9 ECL model contains a ‘three stage’ approach, which

is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The Group has commenced a preliminary assessment of the potential impact of the application of the new model for the recognition of impairment losses. Up to this stage, the implementation of the new ECL model is not expected to result in any significant impact on the Group's financial position and results of operations except that it may result in an earlier recognition of credit losses.

HKFRS 15 "Revenue from Contracts with Customers" — This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has performed a preliminary assessment of the potential impact of the application of HKFRS 15 and identified the key areas which might be accounted for differently under this new standard, including but not limited to the identification of separate performance obligations in the contracts with customers and the allocation of transaction price, if applicable, which may affect the timing of revenue recognition. Up to this stage, the implementation of HKFRS 15 is not expected to result in any significant impact on the Group's financial position and results of operations.

HKFRS 16 "Leases" — The Company is a lessee of its offices and warehouses which are currently classified as operating leases. The Company's current accounting policy for such leases is set out in Note 2.15. HKFRS 16 provides new provisions for the accounting treatment of leases which does not require lessees to classify their leases as either finance leases or operating leases and account for those two types of leases differently. HKFRS 16 will no longer allow lessees to account for certain leases outside the statements of financial position. Instead, all long-term leases must be recognised in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which may be carried initially at the discounted present value of the future operating lease commitments subject to certain exceptions and arrangements that do not qualify as leases under HKFRS 16. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the combined statement of financial position. In profit or loss, rental expenses will be replaced with depreciation and interest expense and the classification of cash flows in the cash flow statements may also be affected. The implementation of HKFRS 16 is not expected to result in any significant impact on the Group's financial position and results of operations.

## 2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends received from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in HK\$ which is the Operating Subsidiary's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss within "other (losses)/gains, net".

### 2.5 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

Tools and equipment	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains or losses on disposal are determined by comparing proceeds with carrying amount and are recognised as "other (losses)/gains, net" in profit or loss.

### 2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.



## 2.7 Financial assets

### (i) Classification

The Group classifies its financial assets into two categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, retention money receivables, deposits and other receivables, pledged bank deposits and cash and bank balances in the combined statement of financial position.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it has been acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

### (ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in profit or loss within “other (losses)/gains, net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

### (iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## 2.8 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

### **2.9 Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

For unbilled receivables, please refer to Note 18(iv) for details.

### **2.10 Cash and cash equivalents**

In the combined statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

In the combined statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### **2.11 Bank balances in client accounts**

Certain bank accounts were opened and held in the name of the entity within the Group on behalf of some customers. Such bank accounts are regarded as client accounts held on behalf of third parties and are not recognised as assets and associated liabilities in the combined financial statements of the Group.

### **2.12 Capital**

As mentioned in Note 1.3 above, the Historical Financial Information has been prepared as if the current group structure had been in existence throughout each of the years ended 31 December 2015 and 2016 and the four months ended 30 April 2017 or since the respective dates of incorporation/establishment of the combining companies, where there is a shorter period. Capital represented the issued share capital of the Operating Subsidiary as at 31 December 2015 and 2016 and 30 April 2017.

### **2.13 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.14 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 2.15 Leases (as a lessee)

### (a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

### (b) Finance leases

The Group leases certain plant and equipment. Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

## 2.16 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are removed from the combined statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. Taxes on income in the stub periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### (b) Deferred income tax

#### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statements of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.18 Employee benefits***(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(ii) Pension obligations*

The Group contributes to a defined contribution retirement benefit plan, the Mandatory Provident Fund scheme (MPF) in Hong Kong, the assets of which are generally held in separate trustee administered funds.

A defined contribution retirement benefit plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution retirement benefit plan are charged to profit or loss in the period incurred.

*(iii) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the Group has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the balance sheet date are discounted to their present value.

*(iv) Bonus plan*

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

*(v) Long service payments*

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method by a qualified actuary, discounted to its present value, and the fair value of any related plan assets is deducted. The discount rate is the yield at balance sheet date on government bonds that have maturity dates approximating the terms of the Group's obligations. All actuarial gains and losses of long service payments provision are recognised immediately in other comprehensive income in the period in which they occur. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

**2.19 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Property management services income*

Property management services income is recognised on a systematic basis over the service period.

(ii) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(iii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

## 2.20 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the combined financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

## 2.21 Investment in an insurance contract

The Group acquired a management life insurance contract, which includes both investment and insurance elements. The investment insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the insurance contract (cash surrender value) at end of each reporting period, with changes in value recognised in profit or loss.

# 3 FINANCIAL RISK MANAGEMENT

## 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk, foreign exchange risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use financial derivative to hedge its financial risk exposures.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) *Credit risk*

Credit risk mainly arises from cash and bank balances, pledged bank deposits, trade receivables, other receivables, deposits, and retention money receivables. The carrying amounts of these balances in the combined statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group maintains a defined credit policy for its customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

Majority of the Group's bank balances and pledged bank deposits are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the debtors is assessed based on the financial position of the debtors as well as past experience of the Group in dealing with respective debtors. The Group's historical experience in collection of deposits and receivables falls within recorded allowance, if necessary, and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

As at 31 December 2015 and 2016 and 30 April 2017, the Group has a high concentration of credit risk as 100% of the total trade receivables were due from a single customer. This customer is a statutory body which develops and implements a public housing programme.

Management does not expect any losses to be incurred from non-performance by these financial institutions and counterparties.

*(b) Interest rate risk*

Other than the pledged bank deposits, bank balances and borrowings, the Group has no other significant interest-bearing assets and liabilities. The Group's pledged bank deposits and bank balances earn interest at floating rates. Also, borrowings of the Group are at floating rates which expose the Group to cash flow interest rate risk. Loans from shareholders are interest-free and expose the Group to fair value interest-rate risk. The Group does not enter into derivatives to address either cash flow or fair value interest rate risks.

During each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017, if the interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year/period would have been approximately HK\$107,000, HK\$75,000, HK\$25,000 and HK\$21,000 lower/higher, respectively mainly as a result of higher/lower net finance cost on floating rate bank deposits and borrowings.

During each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017, in the opinion of directors, the expected change in fair values of the loans from shareholders as a result of change in market interest rates will not be significant, thus no sensitivity analysis is presented.

*(c) Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Most of the income and expenditures of the Group are denominated in HK\$. For the bank borrowings denominated in USD and when expressed in HK\$ are reasonably stable due to the HK\$/USD Linked Exchange Rate System. In the opinion of directors, the exposure to foreign exchange rate risk is considered low. As such, no sensitivity analysis is presented. The Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

*(d) Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet their liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end dates during the Track Record Period). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment and no interest payments were included. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Within 1 year/ repayable on demand HK\$'000</b>	<b>Between 1 and 5 years HK\$'000</b>	<b>Over 5 years HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 31 December 2015</b>				
Trade payables	7,163	—	—	7,163
Other payables and accrued liabilities	2,654	—	—	2,654
Borrowings, excluding finance lease liabilities	10,098	—	—	10,098
Finance lease liabilities	257	672	—	929
Loans from shareholders	17,324	—	—	17,324
	<u>37,496</u>	<u>672</u>	<u>—</u>	<u>38,168</u>
<b>At 31 December 2016</b>				
Trade payables	238	—	—	238
Other payables and accrued liabilities	2,190	—	—	2,190
Borrowings, excluding finance lease liabilities	30,655	—	—	30,655
Finance lease liabilities	590	2,121	—	2,711
Loans from shareholders	17,388	—	—	17,388
	<u>51,061</u>	<u>2,121</u>	<u>—</u>	<u>53,182</u>
<b>At 30 April 2017</b>				
Trade payables	312	—	—	312
Other payables and accrued liabilities	1,026	—	—	1,026
Borrowings, excluding finance lease liabilities	26,971	—	—	26,971
Finance lease liabilities	591	1,922	—	2,513
Loans from shareholders	16,388	—	—	16,388
	<u>45,288</u>	<u>1,922</u>	<u>—</u>	<u>47,210</u>

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table.



Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

**Maturity analysis — Bank borrowings subject to a repayment  
on demand clause based on scheduled repayments**

	<b>Within 1 year</b>	<b>More than 1 year but less than 2 years</b>	<b>More than 5 years</b>	<b>Total outflows</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2015	5,713	3,876	1,108	10,697
At 31 December 2016	27,520	3,500	—	31,020
At 30 April 2017	<u>24,265</u>	<u>3,005</u>	<u>—</u>	<u>27,270</u>

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of shareholders' equity and total borrowings. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business. The Company monitors capital on the basis of net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and loans from shareholders as shown in the combined statement of financial position) less cash and bank balances. Total capital is calculated as "equity" as shown in the combined statement of financial position plus net debt.

The gearing ratios as at 31 December 2015 and 2016 and 30 April 2017 are as follows:

	<b>As at 31 December 2015</b>	<b>2016</b>	<b>As at 30 April 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total borrowings ( <i>Notes 24 and 25</i> )	28,277	50,487	45,641
Less: cash and bank balances ( <i>Note 21</i> )	<u>(2,681)</u>	<u>(25,058)</u>	<u>(13,006)</u>
Net debt	25,596	25,429	32,635
Total equity	<u>46,994</u>	<u>61,600</u>	<u>64,364</u>
Total capital	<u>72,590</u>	<u>87,029</u>	<u>96,999</u>
Net gearing ratio	<u>35%</u>	<u>29%</u>	<u>34%</u>

As at 31 December 2016, the decrease in net gearing ratio was mainly attributable to the significant increase in profit for the year that correspondingly increased the equity balance. As at 30 April 2017, the increase in net gearing ratio was mainly attributable to reduction in cash and bank balances for financing the operating activities.

### 3.3 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and bank balances, pledged bank deposits, trade and other receivables, retention money receivables and deposits and the Group's financial liabilities, including trade and other payables and borrowings approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair values of financial instruments traded in active markets are based on quoted market prices at date of the statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table present the Group's financial assets that were measured at fair value at 31 December 2015.

	<b>Level 1</b> <i>HK\$'000</i>
<b>As at 31 December 2015</b>	
Assets	
— Financial assets at fair value through profit or loss (Listed equity securities)	<u>1,953</u>

There were no transfer between levels 1, 2 and 3 during each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### Impairment of trade and unbilled receivables

The Group makes provision for impairment of trade and unbilled receivables based on an assessment of the recoverability of the receivables. Provisions are applied to trade and unbilled receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of trade and unbilled receivables and loss for the impairment of trade and unbilled receivables is recognised in the year in which such estimates have been changed.

## 5 SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-makers (“CODM”) of the Group who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax. The CODM considers all business is included in a single operating segment.

### Segment results, segment assets and segment liabilities

The Group is engaged in the provision of property management service in Hong Kong. Since the operation of provision of property management services is attributable to all of the Group’s revenue, and a majority of results and assets during each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017, no business segment analysis is presented accordingly.

### Geographical information

The Group’s revenue is derived from customers in Hong Kong. All the assets of the Group were also located in Hong Kong as at 31 December 2015 and 2016 and 30 April 2017. Accordingly, no analysis by geographical segment is provided.

### Information about major customer

Details of the customer individually representing 10% or more of the Group’s revenue are as follows:

	Year ended 31 December		Four months ended 30 April	
	2015	2016	2016	2017
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Customer A	<u>302,789</u>	<u>342,438</u>	<u>113,102</u>	<u>116,651</u>

No other single customers contributed 10% or more to the Group’s revenue for the each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

## 6 REVENUE

	Year ended 31 December		Four months ended 30 April	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Property management services income	303,632	344,464	114,320	116,651

## 7 OTHER INCOME

	Year ended 31 December		Four months ended 30 April	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Dividend income ( <i>Note</i> )	113	118	58	—
Sundry income	529	288	45	101
	<u>642</u>	<u>406</u>	<u>103</u>	<u>101</u>

*Note:* The amount represents dividend income from listed equity securities held by the Group, which are classified as financial assets at fair value through profit or loss.

## 8 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December		Four months ended 30 April	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Fair value loss on financial assets at fair value through profit or loss	(431)	—	(320)	—
Loss on disposal of financial assets at fair value through profit or loss	—	(5)	—	—
Exchange loss, net	(599)	—	—	—
Gain on investment in an insurance contract ( <i>Note 17</i> )	67	65	16	14
Net gain on disposal of plant and equipment	—	72	79	—
	<u>(963)</u>	<u>132</u>	<u>(225)</u>	<u>14</u>

## 9 EXPENSES BY NATURE

Profit before income tax is stated after charging the following items:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Employee benefit expenses ( <i>Note 10</i> )	247,900	294,164	96,271	107,525
Auditor's remuneration	198	482	167	167
Depreciation of plant and equipment ( <i>Note 16</i> )	1,490	1,874	612	710
Operating lease rentals in respect of rental premises	385	260	59	96
Subcontracting cleaning and cleaning material costs	33,593	18,245	9,319	1,368
Insurance fee	2,482	2,872	987	775
Guarantee fee	838	1,044	328	298
Security expenses	687	1,129	357	201
Utilities expenses	2,084	2,012	676	407
Office supplies	1,426	1,280	416	267
	<u>247,900</u>	<u>294,164</u>	<u>96,271</u>	<u>107,525</u>

## 10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Wages, salaries and other allowances (including directors' emoluments)	236,074	280,384	91,768	102,488
Pension costs — defined contribution plan	10,912	12,624	4,168	4,402
Accrual for unutilised annual leave	563	851	244	536
Accrual for long service payment	351	305	91	99
	<u>247,900</u>	<u>294,164</u>	<u>96,271</u>	<u>107,525</u>

## (a) Pensions — defined contribution plans

Contributions totaling approximately HK\$1,922,000, HK\$2,115,000 and HK\$2,108,000 are payable to the MPF fund as at 31 December 2015 and 2016 and 30 April 2017, respectively.

**(b) Five highest paid individuals**

For each of the years ended 31 December 2015 and 2016 and four months ended 30 April 2016 and 2017, the five individuals whose emoluments were the highest in the Group include 2, 2, 2, and 1 directors, respectively, whose emoluments were reflected in the analysis presented in Note 11 to the Historical Financial Information. The emoluments paid to the remaining individuals are as follows:

	Year ended 31 December		Four months ended 30 April	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Basic salaries and allowances	2,063	2,415	802	1,026
Discretionary bonuses	84	64	64	116
Employer's contribution to defined contribution plan	54	36	12	18
	<u>2,201</u>	<u>2,515</u>	<u>878</u>	<u>1,160</u>

The emoluments of the remaining individuals above fell within the band of nil — HK\$1,000,000 during each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any for the five highest paid individuals during each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

**11 BENEFITS AND INTERESTS OF DIRECTORS****(a) Directors' emoluments**

The remuneration of each director for the year ended 31 December 2015 is set out below:

	Basic salaries and allowances	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the year ended 31 December 2015</b>				
<b>Executive directors</b>				
Ng Fuk Wah ( <i>chief executive officer</i> )	804	45	18	867
Ho Chu Ming ( <i>chairman</i> )	804	43	18	865
Sung Alfred Lee Ming	162	—	8	170
Tang Kong Fuk	542	33	18	593
	<u>2,312</u>	<u>121</u>	<u>62</u>	<u>2,495</u>

The remuneration of each director for the year ended 31 December 2016 is set out below:

	<b>Basic salaries and allowances</b> <i>HK\$'000</i>	<b>Discretionary bonuses</b> <i>HK\$'000</i>	<b>Employer's contribution to a retirement benefit scheme</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>For the year ended 31 December 2016</b>				
<b>Executive directors</b>				
Ng Fuk Wah ( <i>chief executive officer</i> )	526	23	18	567
Ho Chu Ming ( <i>chairman</i> )	868	25	18	911
Sung Alfred Lee Ming	41	—	2	43
Tang Kong Fuk	707	18	18	743
	<u>2,142</u>	<u>66</u>	<u>56</u>	<u>2,264</u>

The remuneration of each director for the period ended 30 April 2016 is set out below:

	<b>Basic salaries and allowances</b> <i>HK\$'000</i>	<b>Discretionary bonuses</b> <i>HK\$'000</i>	<b>Employer's contribution to a retirement benefit scheme</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>For the period ended 30 April 2016 (Unaudited)</b>				
<b>Executive directors</b>				
Ng Fuk Wah ( <i>chief executive officer</i> )	186	23	6	215
Ho Chu Ming ( <i>chairman</i> )	305	25	6	336
Sung Alfred Lee Ming	41	—	2	43
Tang Kong Fuk	234	18	6	258
	<u>766</u>	<u>66</u>	<u>20</u>	<u>852</u>

The remuneration of each director for the period ended 30 April 2017 is set out below:

	Basic salaries and allowances <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Employer's contribution to a retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the period ended 30 April 2017</b>				
<b>Executive directors</b>				
Ng Fuk Wah ( <i>chief executive officer</i> )	236	—	6	242
Ho Chu Ming ( <i>chairman</i> )	311	21	6	338
Sung Alfred Lee Ming	—	—	—	—
Tang Kong Fuk	242	—	6	248
	<u>789</u>	<u>21</u>	<u>18</u>	<u>828</u>

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees of the Operating Subsidiary and no directors waived any emolument during each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Subsidiary and no emoluments were paid by the Company or the Operating Subsidiary to the directors as an inducement to join the Company or the Operating Subsidiary, or as compensation for loss of office during each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

Ms. Tam Mo Kit and Mr. Tam Kam Cheung Patrick were appointed as the Company's non-executive directors on 6 July 2017 and Dr. Chan Man Wai, Mr. Wong Siu Fai Albert, and Mr. Ng Kee Fat Ronny were appointed as the Company's independent non-executive directors on 24 October 2017. During the Track Record Period, the non-executive directors and independent non-executive directors had not been appointed and had not received any remuneration.

**(b) Directors' retirement benefits**

No retirement benefits were paid to the directors of the Company or the Operating Subsidiary during each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017 by a defined contribution plan operated by the Company in respect of their services as directors of the Company. Save for the retirement benefits paid to certain directors in respect of their other services in connection with the management of the affairs of the Company or the Operating Subsidiary disclosed in (a) above, no other retirement benefits were paid to the directors in respect of their other services of the Group during each of the year ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

**(c) Directors' termination benefits**

None of the directors received or will receive any termination benefits during each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

**(d) Consideration provided to third parties for making available directors' services**

During each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017, the Company or the Operating Subsidiary did not pay any consideration to any third parties for making available the services of themselves as directors of the Company or the Operating Subsidiary.



(e) **Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

- (i) The information about loans, quasi-loans and other dealings entered into by the Company or the Operating Subsidiary in favour of a director is as follows:

Name of the director	Outstanding at the beginning of the year/period <i>HK\$'000</i>	Outstanding at the end of the year/period <i>HK\$'000</i>	Maximum outstanding during the year/ period <i>HK\$'000</i>
<b>At 31 December 2015:</b>			
Tam Mo Kit	—	1,818	1,818
<b>At 31 December 2016:</b>			
Tam Mo Kit	1,818	300	2,118
<b>At 30 April 2017:</b>			
Tam Mo Kit	300	300	300

The amount is unsecured, interest-free and recoverable on demand. As at 31 December 2015 and 2016 and 30 April 2017, no provision has been made in respect of the amount due from the director. During the year ended 31 December 2016, the Company advanced HK\$300,000 to Tam Mo Kit and HK\$1,818,000 was subsequently repaid before 31 December 2016.

(f) **Directors' material interests in transactions, arrangements or contracts**

Save for transactions disclosed elsewhere in the notes to the Historical Financial Information, no other significant transactions, arrangements and contracts in relation to the Company's or the Operating Subsidiary's business to which the Company or the Operating Subsidiary was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Track Record Period.

**12 FINANCE COSTS, NET**

	Year ended 31 December		Four months ended 30 April	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
			(Unaudited)	
Bank interest income	328	5	3	1
Interests on borrowings	(1,389)	(948)	(313)	(265)
Interests on finance lease liabilities	(38)	(63)	(16)	(36)
Accreted interest on loans from shareholders	(746)	(64)	(64)	—
	<u>(2,173)</u>	<u>(1,075)</u>	<u>(393)</u>	<u>(301)</u>
	<u>(1,845)</u>	<u>(1,070)</u>	<u>(390)</u>	<u>(300)</u>

**13 INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017.

The amount of income tax charged to the combined statements of comprehensive income represents:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Current income tax:				
Hong Kong profits tax	775	2,690	632	534
Deferred income tax relating to origination and reversal of temporary differences (Note 26)	72	(16)	(5)	56
	<u>847</u>	<u>2,674</u>	<u>627</u>	<u>590</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Profit before income tax	<u>2,942</u>	<u>15,974</u>	<u>3,418</u>	<u>3,515</u>
Calculated at a taxation rate of 16.5%	486	2,636	565	580
Income not subject to taxation	(30)	(35)	(13)	(2)
Expenses not deductible for taxation purposes	411	73	75	12
Others	<u>(20)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>847</u>	<u>2,674</u>	<u>627</u>	<u>590</u>

For each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017, the effective tax rate was 28.8%, 16.7%, 18.3% and 16.8%, respectively. The effective tax rates approximate to the statutory tax rate of 16.5% for the year ended 31 December 2016 and for the four months ended 30 April 2017. The higher effective tax rate for the year ended 31 December 2015 and for the four months ended 30 April 2016 was due to certain non-deductible expenses incurred during the year/period.

**14 DIVIDENDS**

No dividend has been paid or declared by the Company since its incorporation.

During each of the years ended 31 December 2015 and 2016 and each of the four months ended 30 April 2016 and 2017, no dividend has been paid or declared by the Operating Subsidiary to respective shareholders.

**15 EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganisation and the preparation of the results for each of the years ended 31 December 2015 and 2016 and four months ended 30 April 2016 and 2017 on a combined basis as disclosed in Note 1.3 above.

## 16 PLANT AND EQUIPMENT

	Tools and equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2015</b>					
Cost	2,922	340	1,406	2,299	6,967
Accumulated depreciation	<u>(534)</u>	<u>(102)</u>	<u>(455)</u>	<u>(534)</u>	<u>(1,625)</u>
Net book value	<u>2,388</u>	<u>238</u>	<u>951</u>	<u>1,765</u>	<u>5,342</u>
<b>Year ended 31 December 2015</b>					
Opening net book value	2,388	238	951	1,765	5,342
Additions	454	211	420	846	1,931
Depreciation charge	<u>(609)</u>	<u>(76)</u>	<u>(288)</u>	<u>(517)</u>	<u>(1,490)</u>
Closing net book value	<u>2,233</u>	<u>373</u>	<u>1,083</u>	<u>2,094</u>	<u>5,783</u>
<b>At 31 December 2015</b>					
Cost	3,376	551	1,826	3,145	8,898
Accumulated depreciation	<u>(1,143)</u>	<u>(178)</u>	<u>(743)</u>	<u>(1,051)</u>	<u>(3,115)</u>
Net book value	<u>2,233</u>	<u>373</u>	<u>1,083</u>	<u>2,094</u>	<u>5,783</u>
<b>Year ended 31 December 2016</b>					
Opening net book value	2,233	373	1,083	2,094	5,783
Additions	498	86	748	2,725	4,057
Disposal	—	—	(537)	(607)	(1,144)
Depreciation charge	<u>(679)</u>	<u>(110)</u>	<u>(362)</u>	<u>(723)</u>	<u>(1,874)</u>
Closing net book value	<u>2,052</u>	<u>349</u>	<u>932</u>	<u>3,489</u>	<u>6,822</u>
<b>At 31 December 2016</b>					
Cost	3,762	605	1,867	4,688	10,922
Accumulated depreciation	<u>(1,710)</u>	<u>(256)</u>	<u>(935)</u>	<u>(1,199)</u>	<u>(4,100)</u>
Net book value	<u>2,052</u>	<u>349</u>	<u>932</u>	<u>3,489</u>	<u>6,822</u>
<b>Four months ended 30 April 2017</b>					
Opening net book value	2,052	349	932	3,489	6,822
Additions	394	—	—	22	416
Depreciation charge	<u>(269)</u>	<u>(36)</u>	<u>(102)</u>	<u>(303)</u>	<u>(710)</u>
Closing net book value	<u>2,177</u>	<u>313</u>	<u>830</u>	<u>3,208</u>	<u>6,528</u>
<b>At 30 April 2017</b>					
Cost	4,156	605	1,867	4,710	11,338
Accumulated depreciation	<u>(1,979)</u>	<u>(292)</u>	<u>(1,037)</u>	<u>(1,502)</u>	<u>(4,810)</u>
Net book value	<u>2,177</u>	<u>313</u>	<u>830</u>	<u>3,208</u>	<u>6,528</u>

Office equipment of net book values of HK\$831,000, HK\$2,425,000 and HK\$2,249,000 as at 31 December 2015 and 2016 and 30 April 2017, respectively, where the Group is a lessee, are under non-cancellable finance lease agreements. The lease terms are five years.

## 17 INVESTMENT IN AN INSURANCE CONTRACT

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
As at 1 January	1,921	1,988	2,053
Gain on investment in an insurance contract ( <i>Note 8</i> )	<u>67</u>	<u>65</u>	<u>14</u>
As at 31 December/30 April	<u><u>1,988</u></u>	<u><u>2,053</u></u>	<u><u>2,067</u></u>

Investment in an insurance contract represents a management life insurance policy (the "Insurance Policy"). The Group is the beneficiary of the Insurance Policy. The Insurance Policy was pledged to a bank to secure certain banking facilities granted to the Group as set out in Note 24 to the Historical Financial Information. Changes in value of the investment in an insurance contract are recorded in "other (losses)/gains, net" in the combined statements of comprehensive income.

## 18 RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Non-current:			
Retention money receivables ( <i>Note i</i> )	<u>1,113</u>	<u>1,513</u>	<u>1,595</u>
Current:			
Trade and unbilled receivables ( <i>Note ii and iv</i> )	<u>54,521</u>	<u>65,298</u>	<u>73,502</u>
Utilities deposits	437	475	475
Rental deposits	—	49	49
Prepaid insurance	1,725	2,067	2,144
Prepayment ( <i>Note v</i> )	6	23	2,884
Other receivables	1,106	3,063	2,601
Pledged deposits for performance bonds ( <i>Note iii</i> )	2,159	—	—
Amount due from a director ( <i>Note 32</i> )	<u>1,818</u>	<u>300</u>	<u>300</u>
Total current prepayments, deposits and other receivables	<u><u>7,251</u></u>	<u><u>5,977</u></u>	<u><u>8,453</u></u>
	<u><u>61,772</u></u>	<u><u>71,275</u></u>	<u><u>81,955</u></u>
Total receivables, prepayments and deposits	<u><u>62,885</u></u>	<u><u>72,788</u></u>	<u><u>83,550</u></u>

*Note:*

- (i) In accordance with the service contracts with the customer and the common practice in the industry, the customer withholds a portion of the payments in relation to the project management services for maintenance works rendered by the Group as retention money. The retention money normally represents 5% of the service income of the project management services for maintenance works and is accumulated until the sum retained reaches the limit stated in the service contracts. The retention money will be released to the Group according to the terms of conditions of the service contracts. The balances are regularly reviewed by management with reference to the historical default rates or forfeiture rate. There is no history of forfeiture and default of these balances during each of the years/period ended 31 December 2015 and 2016 and 30 April 2017. The carrying amounts of retention money receivables approximate their fair values, and the impact of discounting is not significant.
- (ii) The Group entered into a trade receivable factoring arrangement and transferred certain trade receivables to a bank. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it

continues to recognise the full carrying amount of the receivables. Cash received from the bank are recognised as factoring loans and are disclosed in Note 24 to the Historical Financial Information. As at 31 December 2015 and 2016 and 30 April 2017, the carrying amount of the trade receivables that have been transferred but have not been derecognised amounted to HK\$4,700,000, HK\$22,266,000 and HK\$18,650,000, respectively. The carrying amount of the factoring loans as at 31 December 2015 and 2016 and 30 April 2017 were HK\$4,230,000, HK\$20,040,000 and HK\$16,785,000, respectively.

- (iii) It represented the pledged deposits provided to an insurance company for the issuance of performance bond certificates amounting to HK\$5,397,000 on behalf of the Group to a customer as required in the service contracts.
- (iv) Unbilled receivables include receivables for project management fees for work performed but yet to be billed; and the project management fee to be billed for completed project management services of maintenance work. Billings to customers will normally be issued when the contractors for the maintenance work submit their final billings. These balances are reviewed regularly by management. No allowance for impairment of unbilled receivables is considered necessary by the directors with reference to the historical experience in collection of these balances once billed and the financial capability of the customer.
- (v) As at 30 April 2017, HK\$2,700,000 included in prepayments represent prepayment of listing expense to professional parties before provision of their services.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables and deposits mentioned above. The Group does not hold any collateral as security.

The trade receivables are generally on credit terms ranging from 30 to 60 days.

The following is an aging analysis of Receivables, presented based on the invoice date at the end of the reporting period:

	<b>As at 31 December</b>		<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unbilled ( <i>Note iv</i> )	10,431	12,103	13,524
Trade receivables:			
Up to 30 days	27,280	30,339	30,003
31 to 60 days	15,398	21,065	28,596
61 to 90 days	1,412	1,791	1,379
	<u>54,521</u>	<u>65,298</u>	<u>73,502</u>

No allowance for impairment of trade receivables is considered necessary by the directors with reference to the historical experience in collection of overdue balances and the financial capacity of the customer.

As of 31 December 2015 and 2016 and 30 April 2017, trade receivables of HK\$1,412,000, HK\$1,791,000 and HK\$1,379,000 were past due but not impaired. These relate to an independent customer for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	<b>As at 31 December</b>		<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables:			
Past due up to 30 days	1,412	1,791	1,379

The credit quality of trade and other receivables that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates. The existing counterparties do not have history of defaults.

The carrying amounts of retention money receivables, trade and unbilled receivables, other receivables, and deposits approximate their fair values. Trade and other receivables and deposits are mainly denominated in HK\$.

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Listed securities			
— Equity securities — Hong Kong	1,953	—	—

Cash flows relating to financial assets at fair value through profit or loss are presented within “investing activities” in the combined statement of cash flows. Change in fair values of financial assets at fair value through profit or loss are recorded in “other (losses)/gains, net” in the combined statement of comprehensive income.

As at 31 December 2015, the financial assets at fair value through profit or loss was pledged to a bank to secure for certain banking facilities granted to the Group as set out in Note 24 to the Historical Financial Information.

The fair value of the equity securities was based on their bid prices in an active market.

## 20 PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to a bank to secure performance bond as set out in Note 29 and an overdraft facility granted to the Group as set out in Note 24 to the Historical Financial Information. The Group's pledged bank deposits are denominated in HK\$ and earn interest at a rate of 0.01% as at 31 December 2015 and 2016 and 30 April 2017.

## 21 CASH AND BANK BALANCES

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Cash at banks and on hand	2,681	25,058	13,006
Maximum exposure to credit risk	2,473	24,847	12,795

Cash at banks earns interest income of floating rates based on daily bank deposit rates and mainly denominated in HK\$.

Cash and bank balances and bank overdrafts include the following for the purposes of the combined statements of cashflows:

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Cash at banks and on hand	2,681	25,058	13,006
Bank overdrafts ( <i>Note 24</i> )	—	(5,996)	(5,996)
Cash and cash equivalents	2,681	19,062	7,010

**22 CAPITAL AND RESERVES****(a) Capital**

As at 31 December 2015 and 2016 and 30 April 2017, capital represented issued share capital of the Operating Subsidiary.

**(b) Contribution reserve**

As at 31 December 2015 and 2016 and 30 April 2017, contribution reserve represented the difference of HK\$810,000 between the nominal value of the unsecured, interest-free loans from shareholders of HK\$17,388,000 and their fair values of HK\$16,578,000. Such difference was regarded as contribution from shareholders, and credited to contribution reserve at the issuance date of the interest-free loans from shareholders.

**23 TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES**

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Trade payables			
— third parties	—	238	312
— a related company ( <i>Note 32</i> )	7,163	—	—
	<u>7,163</u>	<u>—</u>	<u>—</u>
Provision for long service payment ( <i>Note 27</i> )	5,734	4,733	4,993
Provision for unutilised annual leave	2,271	3,122	3,658
Accrued wages, salaries and pensions	15,410	18,476	18,693
Other accrued expenses and payables	2,654	2,190	1,026
Deposits received	308	—	—
	<u>308</u>	<u>—</u>	<u>—</u>
Total other payables and accrued liabilities	<u>26,377</u>	<u>28,521</u>	<u>28,370</u>
Total trade and other payables and accrued liabilities	<u>33,540</u>	<u>28,759</u>	<u>28,682</u>

At 31 December 2015 and 2016 and 30 April 2017, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
0–30 days	7,163	143	312
31–60 days	—	95	—
	<u>—</u>	<u>95</u>	<u>—</u>
	<u>7,163</u>	<u>238</u>	<u>312</u>

The carrying amounts of the Group's trade payables are denominated in HK\$.

The carrying amounts of trade and other payables and accruals approximate their fair values due to their short maturities.

## 24 BORROWINGS

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
<b>Non-current</b>			
Finance lease liabilities ( <i>Note b</i> )	632	1,953	1,784
<b>Current</b>			
Bank borrowings ( <i>Note a</i> )	10,098	30,655	26,971
Finance lease liabilities ( <i>Note b</i> )	223	491	498
	<u>10,321</u>	<u>31,146</u>	<u>27,469</u>
Total borrowings	<u>10,953</u>	<u>33,099</u>	<u>29,253</u>

Notes:

## (a) Bank borrowings

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts	—	5,996	5,996
Factoring loans ( <i>Note 18(ii)</i> )	4,230	20,040	16,785
Bank loans due for repayment within one year	1,248	1,311	1,333
Bank loans due for repayment after one year which contain a repayment on demand clause	4,620	3,308	2,857
	<u>10,098</u>	<u>30,655</u>	<u>26,971</u>

As at 31 December 2015 and 2016 and 30 April 2017, the bank borrowings bear interest at floating rates and the effective interest rates are as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
Bank overdrafts	5.50%	5.50%	5.50%
Factoring loans	6.25%	6.25%	6.25%
Bank loans	<u>2.25%–5.25%</u>	<u>2.50%–5.25%</u>	<u>2.50%–5.25%</u>

The fair value of the borrowings approximates their carrying amounts, as their interest rates are considered current market rates.



As at 31 December 2015 and 2016 and 30 April 2017, the bank borrowings are denominated in the following currencies:

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
HK\$	8,591	29,231	25,574
USD	<u>1,507</u>	<u>1,424</u>	<u>1,397</u>
	<u>10,098</u>	<u>30,655</u>	<u>26,971</u>

As at 31 December 2015 and 2016 and 30 April 2017, the Group's bank borrowings were repayable (based on the scheduled repayment dates as set out in the loan agreements and ignore the effect of any repayment on demand clause) as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	5,478	27,347	24,114
Between 1 and 5 years	3,526	3,308	2,857
Over 5 years	<u>1,094</u>	<u>—</u>	<u>—</u>
	<u>10,098</u>	<u>30,655</u>	<u>26,971</u>

As at 31 December 2015 and 2016 and 30 April 2017, bank borrowings and the banking facilities granted to the Group are secured by:

- (i) The Group's Insurance Policy of HK\$1,988,000, HK\$2,053,000, and HK\$2,067,000 (Note 17);
- (ii) The Group's pledged bank deposits of HK\$33,861,000, HK\$36,554,000, and HK\$36,555,000 (Note 20);
- (iii) The Group's trade receivables of HK\$4,700,000, HK\$22,266,000, and HK\$18,650,000 (Note 18);
- (iv) Limited personal guarantee executed by certain directors and shareholders of the Group; and
- (v) Guarantee provided by Hong Kong Mortgage Corporation Limited pursuant to the SME Financing Guarantee Scheme.

As at 31 December 2015, borrowings and the banking facilities granted to the Group are also secured by the Group's financial assets at fair value through profit and loss of HK\$1,953,000 (Note 19).

**(b) Finance lease liabilities**

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Gross finance lease liabilities — minimum lease payments			
No later than 1 year	257	590	591
Later than 1 year and no later than 5 years	<u>672</u>	<u>2,121</u>	<u>1,922</u>
	929	2,711	2,513
Future finance charges on finance leases	<u>(74)</u>	<u>(267)</u>	<u>(231)</u>
Present value of finance lease liabilities	<u>855</u>	<u>2,444</u>	<u>2,282</u>
The present value of finance lease liabilities is as follows:			
No later than 1 year	223	491	498
Later than 1 year and no later than 5 years	<u>632</u>	<u>1,953</u>	<u>1,784</u>
	<u>855</u>	<u>2,444</u>	<u>2,282</u>

As at 31 December 2015 and 2016 and 30 April 2017, finance lease liabilities were secured by certain office equipment (Note 16).

**25 LOANS FROM SHAREHOLDERS**

On 4 December 2014, certain shareholders of the Operating Subsidiary at that time provided loans with total principal amounts of HK\$17,388,000 to the Operating Subsidiary. These loans are unsecured, interest-free and not repayable before 31 January 2016. Starting from 1 February 2016, these loans from shareholders became repayable on demand.

On the date of issuance, the difference of HK\$810,000 between the nominal value of the loans from shareholders and their fair value of HK\$16,578,000 based on an effective interest rate of 4.50%, was regarded as contribution from shareholders and credited to contribution reserve in the equity of the combined statements of financial position.

During each of the years ended 31 December 2015 and 2016 and four months ended 30 April 2016, accretion interest of HK\$746,000, HK\$64,000 and HK\$64,000 has been recorded in “finance costs, net” to the Historical Financial Information respectively (Note 12).

The loans from shareholders are denominated in HK\$.

**26 DEFERRED TAXATION**

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Deferred tax liabilities			
— to be settled after more than 12 months	<u>634</u>	<u>618</u>	<u>674</u>

The movement of deferred tax liabilities arisen from accelerated tax depreciation is as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
At 1 January	562	634	618
Charged/(credit) to profit or loss ( <i>Note 13</i> )	<u>72</u>	<u>(16)</u>	<u>56</u>
At 31 December/30 April	<u><u>634</u></u>	<u><u>618</u></u>	<u><u>674</u></u>

At 31 December 2015 and 2016 and 30 April 2017, the Group has no significant unrecognised deferred tax assets.

## 27 EMPLOYEE BENEFIT OBLIGATIONS — LONG SERVICE PAYMENT

Under the Hong Kong Employment Ordinance, the Operating Subsidiary is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Operating Subsidiary. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Operating Subsidiary's retirement plan that are attributable to contributions made by the Operating Subsidiary. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash in hand when such payments are required.

The latest actuarial valuation as at 31 December 2015 and 2016 and 30 April 2017 specifically designated for the Operating Subsidiary's employees was completed by a qualified actuary, Roma Appraisals Limited, using projected unit credit method.

- (a) The amounts recognised in the combined statements of financial position are as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Present value of employee benefit obligations	<u><u>5,734</u></u>	<u><u>4,733</u></u>	<u><u>4,993</u></u>

- (b) Movements in the net liability recognised in the combined statement of financial position are as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
At 1 January	6,959	5,734	4,733
Expenses recognised in the combined statements of comprehensive income	351	305	99
(Income)/loss recognised in the other comprehensive (income)/loss	<u>(1,576)</u>	<u>(1,306)</u>	<u>161</u>
At 31 December	<u><u>5,734</u></u>	<u><u>4,733</u></u>	<u><u>4,993</u></u>

(c) Expenses recognised in the combined statements of comprehensive income is as follows:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Current service cost	255	217	73	75
Interest cost	<u>96</u>	<u>88</u>	<u>18</u>	<u>24</u>
	<u>351</u>	<u>305</u>	<u>91</u>	<u>99</u>

(d) Income/(loss) recognised in the other comprehensive income/(loss) is as follows:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Actuarial gain — demographic assumptions	807	607	719	—
Actuarial gain/(loss) — financial assumptions	<u>769</u>	<u>699</u>	<u>130</u>	<u>(161)</u>
	<u>1,576</u>	<u>1,306</u>	<u>849</u>	<u>(161)</u>

(e) The principal actuarial assumptions used as at 31 December 2015 and 2016 and 30 April 2017 (expressed as weighted average) are as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
Discount rate	1.74%	1.95%	1.50%
Future salary increment	<u>3.00%</u>	<u>2.40%</u>	<u>2.00%</u>

	Impact on employee benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption

**At 31 December 2015:**

Discount rate	0.25%	Decrease by 4.01%	Increase by 4.24%
Salary growth rate	0.25%	Increase by 5.34%	Decrease by 5.18%

**At 31 December 2016:**

Discount rate	0.25%	Decrease by 3.65%	Increase by 3.84%
Salary growth rate	0.25%	Increase by 5.58%	Decrease by 5.48%

**At 30 April 2017:**

Discount rate	0.25%	Decrease by 3.75%	Increase by 3.96%
Salary growth rate	0.25%	Increase by 5.83%	Decrease by 5.71%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

## 28 CASH FLOW INFORMATION

## (a) Cash generated from/(used in) operations

	Note	Year ended 31 December		Four months ended 30 April	
		2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
<b>Cash flows from operating activities</b>					
Profit before income tax		2,942	15,974	3,418	3,515
Adjustments for:					
Depreciation	16	1,490	1,874	612	710
Loss on disposal of financial assets at fair value through profit or loss		—	5	—	—
Fair value loss on financial assets at fair value through profit or loss		431	—	320	—
Interest income	12	(328)	(5)	(3)	(1)
Finance costs	12	2,173	1,075	393	301
Dividend income	7	(113)	(118)	(58)	—
Gain on investment in an insurance contract	17	(67)	(65)	(16)	(14)
Provision for long service payment		351	305	91	99
Gain on disposal of plant and equipment		—	(72)	(79)	—
Operating profit before working capital changes		6,879	18,973	4,678	4,610
Changes in working capital:					
Retention money receivables		285	(400)	(142)	(82)
Trade receivables		(10,417)	(10,777)	(9,995)	(8,204)
Prepayments, deposits and other receivables		2,902	(244)	(139)	(1,801)
Trade payables		874	(6,925)	(223)	74
Other payables and accrued liabilities		691	3,145	(1,229)	(411)
<b>Cash generated from/(used in) operations</b>		<b>1,214</b>	<b>3,772</b>	<b>(7,050)</b>	<b>(5,814)</b>

## (b) Reconciliation of liabilities arising from financing activities

	Note	As at 31 December 2016 HK\$'000	Cash outflows	Interests on finance lease liabilities	As at 30 April 2017 HK\$'000
Loans from shareholders	25	17,388	(1,000)	—	16,388
Finance lease liabilities	24	2,444	(198)	36	2,282
Bank borrowings	24	30,655	(3,684)	—	26,971
Total borrowings		50,487	(4,882)	36	45,641

**29 CONTINGENT LIABILITIES**

The Group had contingent liabilities in respect of the following:

- (i) As at 31 December 2015 and 2016 and 30 April 2017, the Group had entered into 26, 27 and 27 performance bond with a bank or an insurance company respectively. The aggregate amount of the performance bonds was HK\$61,004,000, HK\$56,814,000 and HK\$56,814,000 as at 31 December 2015 and 2016 and 30 April 2017, respectively. The directors do not consider it is probable that a claim on the performance bonds will be made against the Group; and
- (ii) In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Company mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the directors of the Group, based on current available evidence, any such existing claims and legal proceedings against the Company have no material financial impact to the Company as at 31 December 2015 and 2016 and 30 April 2017.

**30 BANK BALANCES IN CLIENT ACCOUNTS**

Certain bank accounts were opened and held in the name of the entity within the Group on behalf of a customer. Such bank accounts are regarded as client accounts held on behalf of third parties and are not recognised as assets and associated liabilities in the combined financial statements of the Group.

As at 31 December 2015 and 2016 and 30 April 2017, the Group held a total of HK\$64,988,000, HK\$75,377,000 and HK\$98,680,000 respectively in various trustee bank accounts on behalf of Estate Common Area Management Fund of various estates. The fund is for the purposes of the deposit of revenues collected and the making of payments in respect of daily operation of the estate common area.

## 31 FINANCIAL INSTRUMENTS BY CATEGORIES

	Loans and receivables <i>HK\$'000</i>	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets as per financial position</b>			
<b>As at 31 December 2015</b>			
Retention money receivables	1,113	—	1,113
Financial assets at fair value through profit or loss	—	1,953	1,953
Trade and unbilled receivables	54,521	—	54,521
Deposits and other receivables	5,520	—	5,520
Pledged bank deposits	33,861	—	33,861
Cash and bank balances	2,681	—	2,681
	<u>97,696</u>	<u>1,953</u>	<u>99,649</u>
Total	<u>97,696</u>	<u>1,953</u>	<u>99,649</u>
<b>As at 31 December 2016</b>			
Retention money receivables	1,513	—	1,513
Trade and unbilled receivables	65,298	—	65,298
Deposits and other receivables	3,887	—	3,887
Pledged bank deposits	36,554	—	36,554
Cash and bank balances	25,058	—	25,058
	<u>132,310</u>	<u>—</u>	<u>132,310</u>
Total	<u>132,310</u>	<u>—</u>	<u>132,310</u>
<b>As at 30 April 2017</b>			
Retention money receivables	1,595	—	1,595
Trade and unbilled receivables	73,502	—	73,502
Deposits and other receivables	3,425	—	3,425
Pledged bank deposits	36,555	—	36,555
Cash and bank balances	13,006	—	13,006
	<u>128,083</u>	<u>—</u>	<u>128,083</u>
Total	<u>128,083</u>	<u>—</u>	<u>128,083</u>

	<b>Other financial liabilities at amortised cost</b>
	<i>HK\$</i>
<b>Liabilities as per financial position</b>	
<b>As at 31 December 2015</b>	
Trade payables	7,163
Other payables and accrued liabilities	2,654
Borrowings (including finance lease liabilities)	10,953
Loans from shareholders	<u>17,324</u>
Total	<u><u>38,094</u></u>
<b>As at 31 December 2016</b>	
Trade payables	238
Other payables and accrued liabilities	2,190
Borrowings (including finance lease liabilities)	33,099
Loans from shareholders	<u>17,388</u>
Total	<u><u>52,915</u></u>
<b>As at 30 April 2017</b>	
Trade payables	312
Other payables and accrued liabilities	1,026
Borrowings (including finance lease liabilities)	29,253
Loans from shareholders	<u>16,388</u>
Total	<u><u>46,979</u></u>

### 32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

<b>Name of the related party</b>	<b>Relationship with the Group</b>
Ms. Tam	Director and shareholder of the Company
Grand View Property Management Limited	Wholly-owned by a director and shareholder of the Company
Ying Wah Cleaning Service Limited (“Ying Wah”)	One of the shareholders of the Company who is also a director of Ying Wah



**(b) Transactions with related parties**

Except for the transactions disclosed elsewhere in this report, the Group had the following significant transactions with its related parties during the year/period:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Discontinued transaction:				
Rental expenses to Grand View Property Management Limited	360	—	—	—
Subcontracting cleaning fee to Ying Wah	30,227	13,993	8,246	—

Office rental and cleaning fee were charged at terms based on mutual agreements between parties involved in the transaction.

**(c) Balances with related parties**

The Group had the following balances with related parties:

	As at 31 December		As at 30 April
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
<b>Non-trade</b>			
Amount due from Ms. Tam	1,818	300	300
<b>Trade</b>			
Trade payables due to Ying Wah	7,163	—	—

The balances are interest-free, unsecured and receivable/payable on demand. The carrying amounts of the balances approximate their fair values and are denominated in HK\$.

**(d) Key management compensation**

Key management compensation are as follows:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Basic salaries, allowances and benefits	2,754	3,119	1,003	1,149
Discretionary bonuses	140	130	131	146
Employer's contribution to a defined contribution plan	86	92	29	36
	2,980	3,341	1,163	1,331

**33 EVENTS AFTER THE BALANCE SHEET DATE**

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 30 April 2017:

- (i) On 24 October 2017, the Company declared a special dividend amounting to HK\$10,000,000 to the then shareholders. Such dividend will be reflected in the Group's financial statements for the year ending 31 December 2017.
- (ii) On 24 October 2017, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 to HK\$20,000,000 by creation of an additional 1,962,000,000 shares of HK\$0.01 each.
- (iii) Pursuant to the resolutions of the shareholders passed on 24 October 2017, the Company conditionally adopted a share option scheme ("the Scheme") under which the board of directors may grant options to the employees, directors or other selected participants of the Group to acquire shares of the Company. No options have been granted up to the date of this report.
- (iv) Pursuant to the resolutions of the shareholders passed on 24 October 2017, subject to the share premium account of the Company being credited as a result of the share offer, the directors of the Company are authorised to allot and issue a total of 599,997,900 shares credited as fully paid at par to the shareholders by way of capitalisation of HK\$5,999,979 standing to the credit of the share premium account of the Company. The proposed capitalisation issue has not become effective as at date of this report.

**III. FINANCIAL INFORMATION OF THE COMPANY**

The Company was incorporated on 26 June 2017 with an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. No financial statements of the Company as at and for the Track Record Period are presented as the Company had not been incorporated.

**IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2017.

The information sets out in this Appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Report" set out in Appendix I to this prospectus.

#### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to the equity holders of the Company as of 30 April 2017 as if the Share Offer had taken place on 30 April 2017.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 April 2017 or at any future dates following the Share Offer. It is prepared based on the combined net assets of the Group as at 30 April 2017 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	<b>Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 April 2017 (Note 1) HK\$'000</b>	<b>Estimated net proceeds from the Share Offer (Note 2) HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per share (Note 3) HK\$</b>
Based on an Offer Price of HK\$0.30 per Share	<u>64,364</u>	<u>37,050</u>	<u>101,414</u>	<u>0.13</u>
Based on an Offer Price of HK\$0.38 per Share	<u>64,364</u>	<u>51,930</u>	<u>116,294</u>	<u>0.15</u>

*Notes:*

- (1) The audited combined net tangible assets attributable to the equity holders of the Company as at 30 April 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 30 April 2017 of HK\$64,364,000.
- (2) The estimated net proceeds from the Share Offer range of HK\$0.30 per Share and HK\$0.38 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company subsequent to 30 April 2017.
- (3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares were in issue assuming that the Share Offer has been completed on 30 April 2017 but takes no account of any Share which be allotted and issued upon the exercise of any options granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and Repurchase Mandate.
- (4) The unaudited pro forma net adjusted tangible assets of the Group does not take into account the dividend of HK\$10 million declared by the Group in 24 October 2017. The unaudited pro forma net tangible assets per Share would have been HK\$0.11 and HK\$0.13 per Share based on the Offer Price of HK\$0.30 and HK\$0.38, respectively, after taking into account the declaration of dividend of HK\$10 million.
- (5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 April 2017.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

### To the Directors of Modern Living Investments Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Modern Living Investments Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 April 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 31 October 2017, in connection with the proposed share offer of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer on the Group's financial position as at 30 April 2017 as if the proposed share offer had taken place at 30 April 2017. 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 four months ended 30 April 2017, on which an accountant's report has been published.

### Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 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 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 Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed share offer at 30 April 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, 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 by the directors of the Company 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 Listing Rules.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 31 October 2017

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 June 2017 under the Companies Law. Our Company's constitutional documents consist of our Amended and Restated Memorandum of Association and our Amended and Restated Articles of Association.

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our 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 our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our 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 24 October 2017 and will be effective upon the Listing. A summary of certain provisions of the Articles is set out below.

### (a) Shares

#### (i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to 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 our duly authorised 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 equally therewith.

*(iii) Alteration of capital*

Our Company may, by an ordinary resolution of our members: (a) increase our share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of our share capital into shares of larger or smaller amount than our existing shares; (c) divide our unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide our 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 our 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 our share capital.

*(iv) Transfer of shares*

Subject to the Companies Law and the requirements of 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 our 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 our 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 our 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 our Company in respect of that share.

Our 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 our 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.

Our 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 our 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.

Our 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 our 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 our 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 our Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of our Company to purchase our own shares*

Our Company may purchase our own shares subject to certain restrictions and our Board may only exercise this power on behalf of our 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 our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

Our 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 our Board shall fix from the day appointed for payment to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our 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 our Company may pay interest at such rate (if any) not exceeding 20% per annum as our Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, our 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 our 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 our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our 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 our Board may prescribe.

**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, our Board shall have the power to appoint any person as a Director either to fill a casual vacancy on our 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 our 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 our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by our 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 our 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 our 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 our 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 our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from our Board.

A Director may be removed by an ordinary resolution of our 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 our Company) and our 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:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and our Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of our Board for six consecutive months, and our Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of our Directors or otherwise pursuant to the Articles.

From time to time our Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine, and our Board may revoke or terminate any of such appointments. Our Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as our 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 our Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our 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 our 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 our Company or the holder of the share, it is liable to be redeemed.

Our Board may issue warrants to subscribe for any class of shares or other securities of our 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 our Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as our Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of our 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 our absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor our 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 our Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of our Company or any of our subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of our subsidiaries, our Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of our Board which would have been valid if such regulation had not been made.

*(iv) Borrowing powers*

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

*(v) Remuneration*

Our Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by our Board or our 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 our 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. Our 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 our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as our 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 our Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

Our Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of our subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

Our 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 our Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our 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 our Company or any of their respective close associates, or, if any one or more of our Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with our Company or any of our subsidiaries*

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as our 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 our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. Our Board may also cause the voting power conferred by the shares in any other company held or



owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing our 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 our 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 our 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 our Company shall declare the nature of his interest at the earliest meeting of our 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 our Company.

A Director shall not vote or be counted in the quorum on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of our subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of our subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of our Company or any of our 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 our Company or any of our



subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

*(ix) Proceedings of our Board*

Our Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and our 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 our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

**(d) Meetings of member**

*(i) Special and ordinary resolutions*

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of our 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 our Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our 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 our 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 our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised 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 our 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.

*(iii) Annual general meetings*

Our Company must hold an annual general meeting each year other than the year of our 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 our Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our 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 our 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 our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vi) Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and 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 authorised 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 our Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

Our Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by our Company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain our transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as our 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 our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by our Board or our Company in general meeting.

Our Board shall from time to time cause to be prepared and laid before our 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 our 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 our 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), our Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised 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.

Our 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 our Board. The auditors' remuneration shall be fixed by our Company in general meeting or by our Board if authority is so delegated by the members.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro-rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) our Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where our Board or our Company in general meeting has resolved that a dividend should be paid or declared, our Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Upon the recommendation of our Board, our Company may by ordinary resolution in respect of any one particular dividend of our 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 our 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 our Board or our Company in general meeting has resolved that a dividend be paid or declared, our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Our 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 our 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 our Board for the benefit of our Company until claimed and our 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 our Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our 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 our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if our 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 our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of 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**

Our Company was incorporated in the Cayman Islands as an exempted company on 26 June 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as our Company must conduct our operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and



- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or our operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
  - (aa) on or in respect of the shares, debentures or other obligations of our Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for our Company is for a period of 20 years from 19 July 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, our Company is required to maintain at our registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

#### **(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the

dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents 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 THE 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 26 June 2017 with our registered office located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Our Company has established a place of business in Hong Kong at Units 1102–1103, 11th Floor, Delta House, No. 3 On Yiu Street, Sha Tin, New Territories, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 13 July 2017. In connection with such registration, Mr. Ng and Mr. Sung have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution, which comprises the Memorandum and the Articles. A summary of the relevant aspect of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000.00 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued fully paid to an initial nominee subscriber at par.
- (b) On 26 June 2017, the one Share held by the initial nominee subscriber was transferred to R5A Group Limited.
- (c) On 10 July 2017, our Company allotted and issued 1,719 Shares, 200 Shares, 120 Shares, 40 Shares and 20 Shares (all accredited as fully paid) to R5A Group Limited, Ms. Yeung, Ms. Lok, Mr. Yun and Mr. K. T. Ho respectively, pursuant to an agreement entered into between Modern Living Investments (as purchaser), Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Ms. Yeung, Mr. T. W. Ho, Mr. Yiu, Ms. Lok, Mr. Yun and Mr. K. T. Ho (collectively as vendors), R5A Group Limited and our Company dated 10 July 2017, as consideration for the acquisition by Modern Living Investments of the entire issued share capital of Modern Living and such allotment and issuance of Shares were legally completed on the same date.
- (d) On 24 October 2017, the authorised share capital of our Company was increased from HK\$380,000.00 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares of which the rights are identical to those of the existing Shares in all aspects.
- (e) Immediately following completion of the Capitalisation Issue and the Share Offer, 800,000,000 Shares will be issued fully paid or credited as fully paid, and 1,200,000,000 Shares will remain unissued.

- (f) Other than the general mandate to issue Shares referred to in the paragraph headed “4. Written resolutions of all the Shareholders” in this Appendix, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.
- (g) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

### **3. Changes in share capital of the subsidiaries of our Company**

Our Company’s subsidiaries are listed in the accountant’s report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and Group Structure” in this prospectus, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

### **4. Written resolutions of all the Shareholders**

Pursuant to the written resolutions of our Shareholders passed on 24 October 2017:

- (a) the authorised share capital of our Company was increased from HK\$380,000.00 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares;
- (b) conditional upon the conditions stated in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled or waived (as the case may be):
  - (i) the Share Offer was approved and confirmed and our Directors or any committee of our Board were authorised to allot and issue the Offer Shares pursuant to the Share Offer;
  - (ii) the Share Option Scheme was approved and adopted with such additions, amendments or modifications thereto as may be approved by our Directors or any committee of our Board and our Directors or any committee of our Board were authorised to implement the Share Option Scheme, to grant options thereunder and to allot, issue and deal with our Shares thereunder and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;



- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise a maximum amount of HK\$5,999,979 standing to the credit of the share premium account of our Company and to apply such amount in paying up in full at par 599,997,900 Shares for allotment and issue to the holders of issued Shares whose names appear on the register of members of our Company at close of business on 24 October 2017 (or as it may direct), and our Directors were authorised to give effect to such capitalisation and distribution;
- (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with unissued Shares (otherwise than (i) by way of rights issue; (ii) scrip dividend or similar arrangement in accordance with the Memorandum and the Articles; (iii) an issue of Shares pursuant to the exercise of options granted under the Share Option Scheme; (iv) under the Share Offer; or (v) under the Capitalisation Issue) with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately upon completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or any applicable laws of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;
- (v) a general unconditional mandate (“**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules (or of such other stock exchange), such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately upon completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or any applicable laws of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

- (vi) the general unconditional mandate as mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase shares referred to in sub-paragraph (v) above;
- (vii) an undertaking to be given to the Stock Exchange relating to the exercise of the Repurchase Mandate; and
- (viii) the Memorandum and the Articles were approved and adopted, effective upon Listing the terms of which are summarised in Appendix III to this prospectus.

## 5. Corporate reorganisation

Please refer to the section headed “History, Reorganisation and Group Structure” in this prospectus.

## 6. Repurchase by our Company of its own securities

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities. The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase in cash their securities on GEM subject to certain restrictions, a summary of which is set out below:

### (a) Shareholders' approval

All proposed repurchases of securities, which must be fully paid up in the case of shares, on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by our Shareholders on 24 October 2017, the Repurchase Mandate was granted to our Directors authorising them to exercise all powers for and on behalf of our Company to repurchase its Shares on GEM, or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount not exceeding 10% of the total nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) at any time until the conclusion of the next annual general meeting of our Company; the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or any applicable laws of the Cayman Islands to be held; or when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever is the earliest.

*(b) Source of funds*

Any repurchase by our Company may only be funded out of funds legally available for such purpose in accordance with the Memorandum and the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchase by our Company may be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Memorandum and the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profit of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Memorandum and the Articles and subject to the provisions of the Companies Law, out of capital.

*(c) Exercise of the Repurchase Mandate*

On the basis of exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares during the period in which the Repurchase Mandate remains in force.

The GEM Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

*(d) Dealing restrictions*

Our Company may repurchase up to 10% of the total nominal amount of our share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

Our Company shall not repurchase the Shares on GEM if that repurchase would result in the number of our Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. Our Company may not make a new issue of Shares or announce a proposed new issue of Shares for a period of 30 days after any repurchase of the Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing our Shares on GEM at any time after inside information has come to our knowledge until the information is made publicly available.

Our Company shall procure that any broker appointed by our Company to effect the repurchase shall disclose to the Stock Exchange such information with respect to the repurchase made on behalf of our Company as the Stock Exchange may request.

*(e) Connected persons*

The GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “core connected person”, which includes a Director, chief executive or substantial Shareholder or any of the subsidiaries of our Company or an associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

*(f) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

*(g) Funding of repurchases*

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which, in the opinion of our Directors, are from time to time appropriate for our Company.

*(h) General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a 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. In certain circumstances, a Shareholder or a group of Shareholders acting in concert could as a result of increase of its or their interest, obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

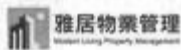

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share swap agreement dated 10 July 2017 entered into between Modern Living Investments (as purchaser), Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Ms. Yeung, Mr. T. W. Ho, Mr. Yiu, Ms. Lok, Mr. Yun and Mr. K. T. Ho (together as vendors), R5A Group Limited and our Company, pursuant to which Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Ms. Yeung, Mr. T. W. Ho, Mr. Yiu, Ms. Lok, Mr. Yun and Mr. K. T. Ho transferred the entire issued share capital of Modern Living to Modern Living Investments in consideration of our Company allotting and issuing 1,719 Shares, 200 Shares, 120 Shares, 40 Shares and 20 Shares to R5A Group Limited, Ms. Yeung, Ms. Lok, Mr. Yun and Mr. K. T. Ho respectively, all credited as fully paid;
- (b) a deed of non-competition dated 24 October 2017 and executed by Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho, Mr. Yiu and R5A Group Limited in favour of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the paragraph headed “Relationship with Controlling Shareholders — Deed of Non-Competition” in this prospectus;
- (c) a deed of indemnity dated 24 October 2017 and executed by Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho, Mr. Yiu and R5A Group Limited in favour of our Company (on its own behalf and as the trustee of its subsidiaries) containing the indemnities more particularly referred to in the paragraph headed “E. Other information — 1. Tax and other indemnities” of this Appendix; and
- (d) an underwriting agreement dated 30 October 2017 and entered into by our Company, our executive Directors, our Controlling Shareholders, Ms. Lok, Ms. Yeung, Mr. Yun, Mr. K. T. Ho, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters relating to the Public Offer.

## 2. Intellectual property rights of our Group

### (a) Trademark

As at the Latest Practicable Date, our Group made the following trademark application whose registration vetting process is pending:

Trademark	Registered Owner	Class	Application No.
A 	Modern Living	35, 36, 37, 44 and 45	304135310
B 			

### (b) Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registrant	Commencement Date	Expiry Date
www.modernliving.com.hk	Modern Living	3 August 2009	5 August 2018

**C. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS**

**1. Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of our Company and our associated corporations**

Immediately following completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued upon the exercise of any options which are to be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in our shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

<b>Name of Director</b>	<b>Capacity/nature of interest</b>	<b>Number of shares<sup>(1)</sup></b>	<b>Approximate percentage of interest in our Company</b>
Ms. Tam <sup>(2)</sup>	Interest in a controlled corporation	491,440,000 (L)	61.43%
Mr. Ng <sup>(3)</sup>	Interest of spouse	491,440,000 (L)	61.43%

*Notes:*

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) R5A Group Limited is the registered owner of 491,440,000 Shares, representing 61.43% of our issued share capital immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account of any Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme). R5A Group Limited is owned as to 55.23% by Ms. Tam, 16.28% by Mr. Sung, 13.96% by Mr. C. M. Ho, 12.79% by Mr. Tang, 1.16% by Ms. T. W. Ho and 0.58% by Mr. Yiu. Therefore, Ms. Tam is deemed to be interested in all the Shares held by R5A Group Limited for the purposes of the SFO.
- (3) Mr. Ng is the spouse of Ms. Tam. Under the SFO, Mr. Ng is deemed to be interested in the same number of Shares in which Ms. Tam is interested.

## (ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares held	Percentage of interest
Ms. Tam	R5A Group Limited	Beneficial owner	950	55.23%
Mr. Sung	R5A Group Limited	Beneficial owner	280	16.28%
Mr. C. M. Ho	R5A Group Limited	Beneficial owner	240	13.96%
Mr. Tang	R5A Group Limited	Beneficial owner	220	12.79%

## 2. Interests and short positions of substantial Shareholders in the shares, underlying shares and debentures of our Company and our associated corporations

Immediately following completion of the Capitalisation Issue and the Share Offer and taking into no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, so far as it is known to our Directors, the following person, not being a Director or chief executive of our Company, will have an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Capacity/nature of interest	Number of shares <sup>(1)</sup>	Approximate percentage of interest in our Company
R5A Group Limited <sup>(2)</sup>	Beneficial owner	491,440,000 (L)	61.43%

*Notes:*

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) R5A Group Limited is the registered owner of 491,440,000 Shares, representing 61.43% of our issued share capital immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account of any Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme). R5A Group Limited is owned as to 55.23% by Ms. Tam, 16.28% by Mr. Sung, 13.96% by Mr. C. M. Ho, 12.79% by Mr. Tang, 1.16% by Mr. T. W. Ho and 0.58% by Mr. Yiu.



### 3. Particulars of service agreements and letters of appointment

#### (a) Executive Directors

Each of our executive Directors has entered into a service agreement with our Company. The terms and conditions of each of such service agreements are similar in all material aspects. Each service agreement is for an initial term of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by our Company or our Director giving to the other not less than three months' prior notice in writing. Under the service agreements, the initial annual salary payable to our executive Directors is as follows:

Name	HK\$
Mr. C. M. Ho	720,000
Mr. Ng	576,000
Mr. Sung	480,000
Mr. Tang	480,000

Each of our executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of our executive Director. Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board regarding the amount of annual salary and discretionary bonus payable to him.

#### (b) Non-executive Director and Independent non-executive Directors

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company under which each of them is appointed for a period of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by our Company or our Director giving to the other not less than three months' prior notice in writing. The annual director's fee payable to each of our non-executive Director and independent non-executive Directors is as follows:

Name	HK\$
<i>Non-executive Directors</i>	
Ms. Tam	144,000
Mr. Tam Kam Cheung Patrick	144,000
<i>Independent non-executive Directors</i>	
Dr. Chan Man Wai	120,000
Mr. Wong Siu Fai Albert	120,000
Mr. Ng Kee Fat Ronny	120,000

Each of our non-executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of our non-executive Director. Each of our non-executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board regarding the amount of annual salary and discretionary bonus payable to him/her.

Save for the annual director's fees mentioned above, none of our independent non-executive Directors is entitled to receive any other remuneration for holding his office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have any service agreement with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

#### **4. Remuneration of Directors**

Our Company's policies concerning remuneration of our Directors are as follows:

- (a) the amount of remuneration is determined by the Remuneration Committee and on the basis of the relevant Director's experience, responsibility, workload and the time devoted to our Group;
- (b) non-cash benefits may be provided to our executive Directors under their remuneration package; and
- (c) our Directors may be granted, at the discretion of our Board, options pursuant to the Share Option Scheme, as part of their remuneration package.

During FY2015, FY2016 and 4M2017, the aggregate emoluments (including director's fee, salaries and other benefits, discretionary bonus and contributions to retirement benefits scheme) paid by our Group to our Directors were approximately HK\$2.5 million, HK\$2.3 million and HK\$0.8 million respectively. For further details in respect of our Directors' remuneration, please refer to the Appendix I to this prospectus.

It is expected that an aggregate of approximately HK\$2.3 million will be paid as remuneration (excluding payment pursuant to any benefits, bonus, granting of share options or other fringe benefits) to our Directors by our Group in respect of FY2017 pursuant to the present arrangement.

Save as disclosed in Appendix I to this prospectus, none of our Directors received any other remuneration or benefits in kind from our Group during the Track Record Period.

#### **5. Agency fees or commissions received**

For information on the agency fees or commissions payable to the Underwriters, please refer to the paragraph headed "Underwriting — Underwriting arrangements and expenses — Commission and expenses" in this prospectus.

Save as disclosed herein and in the section headed “Directors, Senior Management and Staff” in this prospectus and Appendix I to this prospectus, none of our Directors or experts (as named in the paragraph headed “Qualifications of experts” in this Appendix) received or will be entitled to receive any agency fees, commissions, discounts, brokerages or other special terms in connection with the issue of any Share of our Company within two years immediately preceding the date of this prospectus.

#### **6. Related party transactions**

During the two years preceding the date of this prospectus, our Group was engaged in related party transactions as described in Note 32 of Appendix I to this prospectus.

#### **7. Disclaimers**

Save as disclosed in this prospectus:

- (i) none of our Directors has any existing or proposed service contracts with any member of our Group, excluding contracts which are expiring or determinable by the employer within one year without payment of compensation other than statutory compensation;
- (ii) so far as our Directors are aware, none of our Directors or experts referred to under the heading “Consents of Experts” of this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors or experts referred to under the heading “Consents of Experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (iv) our Directors are not aware of any person, not being a Director or chief executive of our Company, who will, immediately following completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), be interested in or has short positions in the Shares or underlying Shares of our Company which have to be notified to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once our Shares are listed on the Stock Exchange, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (v) so far as our Directors are aware, none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of our associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under such provisions of the SFO) once our Shares are listed on the Stock Exchange, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are listed on the Stock Exchange, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, once our Shares are listed on the Stock Exchange;
- (vi) none of the experts referred to under the heading “Consents of Experts” of this Appendix has any shareholding in any member of our Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (vii) so far as our Directors are aware, none of our Directors, their close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our Company’s issued share capital) has any interest in our Group’s five largest customers or five largest suppliers.

#### **D. SHARE OPTION SCHEME**

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholders passed on 24 October 2017 are set out below:

##### **1. Purpose of the Share Option Scheme**

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined in paragraph 2 below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:

- (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

## 2. Who may join and basis of eligibility

Our Board may at its discretion grant right(s) to subscribe for Share(s) pursuant to the terms of the Share Option Scheme (the “**Option**”) to any of the following persons (the “**Eligible Participants**”):

- (a) any Director, employee or officer of any company in our Group who is employed by any company in our Group (whether full time or part time) (the “**Employee**”), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company (the “**Affiliate**”); or
- (b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, Employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or
- (c) a company beneficially owned by any Director, Employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

## 3. Price of Shares

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each Eligible Participants who accepts the offer (the “**Offer**”) by our Company to that Eligible Participant to accept an Option in accordance with the terms of this Scheme (the “**Grantee**”, and where the context permits, include any person who is entitled to any Option in consequent of the death of the original Grantee (being an individual)) (in the letter containing the Offer of the grant of the Option) and shall not be less than the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the relevant Option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the “**Trading Day**”);
- (b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of grant of the relevant Option; and
- (c) the nominal value of a Share on the date of grant.

## 4. Grant of Option and acceptance of Offer

An Offer shall be deemed to have been accepted when our Company receives the letter containing the Offer duly signed by the Grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of our Company as consideration for the grant thereof. Such remittance shall in no circumstances be refundable. Once accepted, the Option is granted as from the date on which it was offered to the relevant Eligible Participant.

**5. Maximum number of Shares**

- (a) Subject to paragraphs (b) to (d) below, the maximum number of Shares which may be issued upon exercise of all options granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 80,000,000 Shares, being 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) unless approved by the Shareholders of our Company pursuant to paragraph (c) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (b) Subject to paragraphs (c) and (d) below, the Scheme Mandate Limit may be renewed by the Shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by Shareholders of our Company in general meeting. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to the Shareholders of our Company containing such relevant information from time to time as required by the GEM Listing Rules in connection with the general meeting at which their approval is sought.
- (c) Subject to paragraph (d) below, the Board may seek separate Shareholders’ approval in general meeting to grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the Shareholders of our Company containing such relevant information from time to time as required by the GEM Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (d) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over Shares or other securities by our Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. Notwithstanding anything to the contrary in the terms of the Share Option Scheme, no options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in the said 30% limit being exceeded.

**6. Maximum entitlement of each Eligible Participant**

The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue. Any grant of further Options above this limit shall be subject to the following requirements:

- (a) approval of the Shareholders of our Company at general meeting, with such Eligible Participant and his/her close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting;
- (b) a circular in relation to the proposal for such further grant having been sent by our Company to its Shareholders with such information from time to time as required by the GEM Listing Rules;
- (c) the number and terms of the Options to be granted to such proposed Eligible Participant shall be fixed before the Shareholders' approval mentioned in paragraph (a) above; and
- (d) for the purpose of calculating the minimum exercise price for the Shares in respect of the further Options proposed to be so granted, the date of the Board meeting for proposing such grant of further Options shall be taken as the date of offer of such Options.

**7. Grant of Options to certain connected persons**

Any grant of Options to any Director, chief executive or substantial Shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (but excluding, for all purposes, any independent non-executive Director who is a proposed Eligible Participant).

Where any grant of Options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by the Shareholders of our Company on a poll in a general meeting where the Grantee, his associates and all core connected persons of our Company must abstain from voting (except where such connected person(s) intends to vote against the proposed grant of Option and his intention to do so has been stated in the circular to be sent to our Company's Shareholders). Our Company will send a circular to the Shareholders containing the information required under the GEM Listing Rules.

**8. Restrictions on the time of grant of Options**

Our Board shall not offer the grant of an Option to any Eligible Participant:

- (a) after inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the relevant requirements of the GEM Listing Rules; or
- (b) during the period commencing 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 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
  - (ii) the deadline for our Company to publish an announcement of its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement.

The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. "Inside Information" has the meaning defined in the SFO.

**9. Time of exercise of Option**

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

**10. Performance targets**

Save as determined by the Board and provided in the offer of grant of the Options, there is no performance target that must be achieved before the Options can be exercised.

**11. Ranking of Shares**

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Memorandum and the Articles in force as at the allotment date and shall rank equally in all respects with the existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holder to participate in all dividends or other distributions paid or made 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 an Option shall not carry voting rights until the name of the Grantee has been duly entered into the register of members of our Company as the holder thereof.



**12. Rights are personal to Grantee**

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option (each, a “**Disposal**”).

**13. Rights on cessation of employment or services**

- (a) In the event of death of a Grantee (being an individual) before exercising the Option in full, his legal personal representatives may exercise the Option up to the Grantee’s entitlement (to the extent exercisable as at the date of his death and not exercised) within the period of 12 months following his death or such longer period as the Board may determine.
- (b) Where a Grantee is an Employee, Director, consultant, professional, agent, partner, adviser of or contractor to our Group or an Affiliate at the time of the grant of the relevant Option(s) and his employment or service to our Company is terminated on the ground of disability, the Grantee may exercise the Option (to the extent exercisable as at the date on which such Grantee ceases to be an Employee, Director, consultant, professional, agent, partner, adviser of or contractor to our Group or an Affiliate and not exercised) within 6 months following such cessation or such longer period as the Board may determine.
- (c) Where a Grantee is an Employee at the time of the grant of the relevant Option(s), in the event that such Grantee shall cease to be an Employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate, then the Option (to the extent exercisable as at the date on which such Grantee ceases to be an Employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as the Board may determine.
- (d) Where a Grantee is an Employee at the time of the grant of the relevant Option(s), in the event that such Grantee shall cease to be an Employee but becomes, or continues to be, a Director of our Group or an Affiliate, then the Option(s) (to the extent exercisable as at the date on which such Grantee ceases to be an Employee and not exercised) granted prior to the date of his becoming a Director of our Group or an Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such Option(s) is granted unless the Board shall determine to the contrary.
- (e) Subject to paragraphs (c) and (d) above, in the event of a Grantee who is an Employee ceasing to be an Employee for any reason other than his death, disability or the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his/her integrity or honesty, the Grantee may exercise the Option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following such cessation.

- (f) In the event of a Grantee, who is a Director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate but not an Employee, ceasing to be a Director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate (as the case may be) for any reason other than his death (in the case of a Grantee being an individual) or disability (in the case of a Grantee being a Director or consultant of our Group or an Affiliate), the Option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

#### **14. Rights on a general offer**

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) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, each Grantee shall be entitled to exercise the Option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

#### **15. Rights on winding-up**

In the event that a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to all Grantees and each Grantee 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 Option (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 Option (to the extent exercisable as at the date of the notice to the Grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Trading 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 Grantee which falls to be issued on such exercise.

#### **16. Rights on compromise or arrangement**

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 Grantees 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 each Grantee 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 Option (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 Option (to the extent exercisable as at the date of the notice to the Grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Trading 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 Grantee which falls to be issued on such exercise credited as fully paid and registered the Grantee as holder thereof.

#### **17. Effects of alterations to share capital**

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 capital of our Company, such corresponding alterations (if any) shall be made in:

- (a) number or nominal amount of Shares subject to the Options so far as unexercised; and/or
- (b) the exercise price; and/or
- (c) the method of the Options; and/or
- (d) the maximum number of Shares that may be issued pursuant to the Share Option Scheme.

Any adjustments required under this paragraph must give a Grantee the same proportion of the equity capital as that to which that Grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Grantee 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 the Shares would be issued at less than nominal value and, unless with the prior approval of our Shareholders in general meeting, no such adjustments may be made to the advantage of the Grantee. 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, the independent financial adviser of 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.

#### **18. Lapse of Options**

An Option (to the extent that such Option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the exercise period as set out in paragraph 9 above;
- (b) the expiry of any of the periods referred to in paragraphs 13, 14, 15 and 16 above;
- (c) subject to paragraph 15 above, the date of the commencement of the winding-up of our Company;

- (d) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 16 above;
- (e) the date on which a Grantee who is an Employee ceases to be an Employee by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty. A resolution of the Board to the effect that the employment of a Grantee who is an Employee has or has not been terminated on one or more grounds specified in this paragraph shall be conclusive and binding on the Grantee;
- (f) the happening of any of the following events, unless otherwise waived by the Board:
  - (i) 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 a Grantee (being a corporation);
  - (ii) a Grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
  - (iii) there is unsatisfied judgement, order or award outstanding against a Grantee or our Company has reason to believe that Grantee is unable to pay or to have no reasonable prospect to being able to pay his/her/its debts;
  - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in subparagraphs (f)(i), (ii) and (iii) above;
  - (v) a bankruptcy order has been made against a Grantee or any director of a Grantee (being a corporation) in any jurisdiction; or
  - (vi) a petition for bankruptcy has been presented against a Grantee or any director of a Grantee (being a corporation) in any jurisdiction;
- (g) the date on which a Disposal occurs in breach of the provision described in paragraph 12 above; or
- (h) the date on which a Grantee commits a breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by the Board.

#### **19. Cancellation of Options granted but not yet exercised**

Our Board shall have the absolute discretion to cancel any Options granted at any time if a Grantee so agrees provided that where an Option is cancelled and a new Option is proposed to be issued to the same Grantee, the issue of such new Option may only be made with available but unissued Shares in the authorised share capital of our Company, and available ungranted Options (excluding for this purpose all cancelled Options) within the limits referred to in paragraph 5.

**20. Period of the Share Option Scheme**

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme was conditionally adopted by a written resolution of our Shareholders in general meeting, after which no further Options will be issued but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Our Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme, including the minimum period for such an Option must be held, if applicable.

**21. Alteration to the Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of the Board except those specific provisions relating to matters set out in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) which cannot be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the Grantees as would be required of the Shareholders under the Memorandum and Articles for the time being of our Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by our Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Directors or the Share Option Scheme administrators in relation to any alterations to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Share Option Scheme must continue to comply with the relevant provisions of the GEM Listing Rules as may be amended from time to time.

Subject to this paragraph 21, our Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme to the extent considered necessary by our Board to implement the terms of the Share Option Scheme.

**22. Termination of the Share Option Scheme**

Our Company by ordinary resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event, no further Options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the GEM Listing Rules which are granted and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

### **23. Conditions of the Share Option Scheme**

The Share Option Scheme shall take effect subject to the passing of the Shareholders' resolution to adopt the Share Option Scheme and is conditional upon:

- (a) the Stock Exchange granting approval for the listing of and permission to deal in any Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Placing and any Shares which may fall to be issued pursuant to the exercise of any options to be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date;
- (b) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (c) the commencement of dealings in the Shares on the GEM.

As at the Latest Practicable Date, no Option had been granted by our Company under the Share Option Scheme. Application has been made to the Stock Exchange for the approval of the Share Option Scheme and for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

**E. OTHER INFORMATION****1. Tax and other indemnities**

Each of Ms. Tam, Mr. Sung, Mr. C. M. Ho, Mr. Tang, Mr. T. W. Ho, Mr. Yiu and R5A Group Limited (the “**Indemnifiers**”), pursuant to the Deed of Indemnity, has jointly and severally covenanted and undertaken to indemnify and keep indemnified our Company (for itself and as trustee for each of the other members of our Group) against any loss or liability suffered by our Company or any member of our Group including any payment made or required to be made by our Company or any member of our Group and any costs and expenses incurred as a result of or in connection with any claim falling on our Company or any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”) or any act, omission, transaction, event or matters entered into or occurring or deemed to be entered into or having occurred on or before the Effective Date whether alone or in conjunction with other circumstances, save for, inter alia, the following:

- (a) to the extent that full provision or reserve has been made for such taxation in the audited combined financial statements of our Group for each of FY2015, FY2016 and 4M2017, as set out in Appendix I to this prospectus (the “**Accounts**”);
- (b) to the extent of any provision or reserve made for such taxation in the Accounts which is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company, then the Indemnifiers’ liability (if any) in respect of taxation hereunder shall be reduced by an amount not exceeding such over-provision or excess reserve;
- (c) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Effective Date;
- (d) for which any member of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Effective Date;
- (e) to the extent that such taxation or liability for such taxation falling on any of the members of our Group in respect of their accounting periods or any accounting period commencing on or after 1 May 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 May 2017;

- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 April 2017 or pursuant to any statement of intention made in this prospectus; or
- (iii) pursuant to the Reorganisation carried out by the members of our Group as set out in this prospectus; or
- (f) to the extent that a claim in respect of the same taxation or claim has already been made under the Deed of Indemnity by either our Company or by any member of our Group; or
- (g) to the extent that such taxation or liability is discharged by another person who is not our Company or any member of our Group and that our Company or such member of our Group is not required to reimburse such person in respect of the discharge of the taxation or liability.

The Indemnifiers, pursuant to the Deed of Indemnity, also agreed and undertook to, jointly and severally, fully indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against any and all expenses, payments, sums, outgoing, fees, demands, claims, damages, losses, costs (including legal and other professional costs), charges, liabilities, fines, penalties which any member of our Group may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with (i) any litigation, arbitration, claim (including counter-claim), complaint, demand and/or legal proceeding whether of criminal, administrative, contractual, tortious nature or otherwise instituted by or against any member of our Group which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the Effective Date; and (ii) any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of, any applicable laws, rules and regulations by any member of our Group on or before the Effective Date.

## **2. Litigation**

As at the Latest Practicable Date to the best of our Directors' knowledge, there is no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group's financial condition or results of operation.

## **3. The Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme on the Stock Exchange.

The Sole Sponsor declared its independence from our Company pursuant to Rule 6A.07 of the GEM Listing Rules and satisfies the independence criteria applicable to the Sole Sponsor set out in Rule 6A.07 of the GEM Listing Rules.



The total amount of fees, including financial advisory (sponsorship) and documentation fee, payable to the Sole Sponsor by our Group for sponsoring the Listing is HK\$4 million.

#### 4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Ballas Capital as our 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 our financial results for the second full financial year commencing after the Listing Date.

#### 5. Preliminary expenses

The estimated preliminary expenses borne by our Company are approximately HK\$37,300 and are payable by our Company.

#### 6. Advisory fees or commissions received

The Underwriters will receive an underwriting commission and the Sole Sponsor will in addition receive an underwriting commission as referred to in the paragraph headed “Underwriting — Underwriting arrangement and expenses — Commission and expenses” in this prospectus.

#### 7. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

#### 8. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Ballas Capital Limited	A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Appleby	Cayman Islands legal advisers
Ms. Ng Wing Shan Queenie	Barrister-at-law of Hong Kong
Frost & Sullivan Limited	Independent industry consultant

**9. Consents of experts**

Each of the parties listed in the paragraph headed “E. Other information — 8. Qualifications of experts” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter, report, opinions and/or summaries of opinions (as the case may be) and references to its name included herein in the form and context in which they are respectively included.

Save as disclosed in this prospectus, none of the parties has any shareholding, interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

**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 Provision) Ordinance so far as applicable.

**11. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this prospectus, the English language version of this prospectus shall prevail.

**12. Share Registrar**

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

**13. Material adverse change**

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

**14. Miscellaneous**

Save as disclosed in this prospectus:

- (a)
  - (i) within two years immediately preceding the date of this prospectus, 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) within two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
  - (iii) within two years immediately preceding the date of this prospectus, no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any of our Shares or shares of any of our subsidiaries;
  - (iv) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
  - (v) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
- (b) Neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares or any debentures;
- (c) all necessary arrangements have been made enabling our Shares to be admitted into CCASS for clearing and settlement;
- (d) our Directors confirm that none of them shall be required to hold any Shares by way of qualification and none of them has any interest in the promotion of our Company;
- (e) none of the equity and debt securities of the members of our Group is listed or dealt with in any stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (f) save as in connection with the Underwriting Agreement, none of the experts referred to under the paragraph "Consents of experts" of this Appendix:
  - (i) is interested beneficially or non-beneficially in any shares or loan capital 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) there is no arrangement under which future dividends are waived or agreed to be waived.
- (h) we have no outstanding convertible debt securities.
- (i) our Directors have been advised that, under Cayman Islands law, the use of a Chinese name (which has been entered on the register of Companies in the Cayman Islands as evidenced by our Company's certificate of incorporation) by our Company in conjunction with the English name does not contravene Cayman Islands law.

#### 15. 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. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would likely fall upon any member of our Group.

(b) *Cayman Islands*

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.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or their parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of our Shares resulting from their subscription for, purchase, holding or disposal of or dealing in our Shares or exercising any rights attaching to them.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus registered by the Registrar of Companies in Hong Kong were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed “E. Other information — 9. Consents of experts” in Appendix IV to this prospectus, and copies of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Hastings & Co. of 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (i) the Memorandum and the Articles of Association;
- (ii) the Companies Law;
- (iii) the Accountant’s Report on the historical financial information of our Group for FY2015, FY2016 and 4M2017 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (iv) the audited combined financial statements of our Group for FY2015, FY2016 and 4M2017;
- (v) the report from PricewaterhouseCoopers to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (vi) the letter prepared by Appleby summarising certain aspects of the Companies Law as referred to in Appendix III to this prospectus;
- (vii) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (viii) the rules of the Share Option Scheme;
- (ix) the written consents referred to in the paragraph headed “E. Other information — 9. Consents of experts” in Appendix IV to this prospectus;
- (x) the service agreements and the letters of appointment referred to in the paragraph headed “C. Further information about directors, senior management and substantial shareholders — 3. Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;
- (xi) the Frost & Sullivan Report; and
- (xii) the legal opinion prepared by Counsel.

**Modern Living Investments Holdings Limited**  
**雅居投資控股有限公司**