

廣駁 Grand Talents Group Holdings Limited 集團 廣駁集團控股有限公司

(Incorporated In The Cayman Islands With Limited Liability) Stock Code: 8516

SHARE OFFER

Sole Sponsor



Sole Bookrunner and Joint Lead Manager



loint Lead Manager



IMPORTANT

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



GRAND TALENTS GROUP HOLDINGS LIMITED 廣駿集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED SHARE OFFER

Number of Offer Shares : 120,000,000 Shares

Number of Public Offer Shares : 12,000,000 Shares (subject to reallocation)

Number of Placing Shares : 108,000,000 Shares (subject to reallocation and the Offer

Size Adjustment Option)

Offer Price : Not more than HK\$0.55 per Offer Share and expected to

be not less than HK\$0.40 per Offer Share plus brokerage of 1%, the SFC transaction levy of 0.0027%

and the Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)

lue : HK\$0.01 per Share

Nominal value : HK\$0.0 Stock code : 8516

Sole Sponsor



Sole Bookrunner and Joint Lead Manager



Joint Lead Manager



Elstone Securities Limited

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

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

The Offer Price is expected to be determined by agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date which is expected to be on or about Saturday, 6 October 2018 or such later date as may be agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Offer Price will be not more than HK\$0.55 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before Thursday, 11 October 2018, the Share Offer will not become unconditional and will lapse immediately. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.55 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.55 per Offer Share.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the Price Determination Date. In such case, a notice of the reduction of the indicative Offer Price range will be published on the website of our Company at www.grandtalentsgroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Underwriting Agreements are subject to termination by the Sole Sponsor or the Sole Bookrunner (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

$\overline{\text{EXPECTED TIMETABLE}^{(1)}}$

Public Offer commences and WHITE and YELLOW Application Forms available from 9:00 a.m. on Saturday, 29 September 2018
Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at <u>www.hkeipo.hk</u> ⁽²⁾
Application lists of the Public Offer open ⁽³⁾
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽⁴⁾ 12:00 noon on Friday, 5 October 2018
Latest time to complete payment of HK eIPO White Form
applications by effecting internet banking transfers(s)
or PPS payment transfer(s)
Application lists of the Public Offer close ⁽³⁾
Expected Price Determination Date ⁽⁵⁾ on or about
Announcement of the final Offer Price, the indication of levels of interest in the Placing, the level of applications in respect of the Public Offer and the basis of allotment of the Public Offer Shares to be published on the website of our Company at www.grandtalentsgroup.com.hk and on the website of the Stock Exchange at www.hkexnews.hk on or before Friday, 12 October 2018
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares" from Friday, 12 October 2018
Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function from Friday, 12 October 2018
Despatch/Collection of Share certificates in respect of wholly or partially successful Applications pursuant to the Public Offer on or before (7) (9)
Despatch/Collection of HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before ⁽⁸⁾ (9) Friday, 12 October 2018

EXPECTED TIMETABLE(1)

Dealings in Shares on the Stock Exchange expected		
to commence at 9:00 a.m. on	Monday, 15	October 2018

Notes:

- (1) All dates and times refer to Hong Kong local dates and 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. If there is any change in this expected timetable, an announcement will be published on the website of our Company at www.grandtalentsgroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 October 2018, the application lists will not open or close on that day. Please see section headed "How to Apply for the Public Offer Shares 10. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Friday, 5 October 2018, the dates mentioned in this section may be affected. An announcement will be made in such event.
- (4) Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should see the section headed "How to Apply for the Public Offer Shares 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Saturday, 6 October 2018 and in any event, not later than Thursday, 11 October 2018. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse immediately.
- (6) None of the website or any information contained on the website forms part of this prospectus.
- (7) Share certificates for the Public Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, 15 October 2018 provided that (i) the Share Offer has become unconditional in all respects; and (ii) 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 Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
- e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Public Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheques.
- (9) Applicants who have applied on WHITE Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all required information may collect any refund cheques and Share certificates in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Friday, 12 October 2018. Applicants being

EXPECTED TIMETABLE(1)

individuals who are eligible for collection in person may not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for collection in person must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who have applied on YELLOW Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all required information may collect their refund cheques, if any, in person but may not collect their Share certificate as such Share certificate will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant 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.

Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer can collect their Share certificate (if any) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Friday, 12 October 2018. For applicants who apply through the **HK eIPO White Form** service and paid the application monies from a single bank account, e-Auto Refund payment instructions (if any) will be despatched to their application payment bank account on or before Friday, 12 October 2018. For applicants who apply through the **HK eIPO White Form** service and used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in their electronic application instruction to the HK eIPO White Form Service Provider on or before Friday, 12 October 2018.

Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for the Public Offer Shares" in this prospectus. Uncollected Share certificate and/or refund cheque will be despatched by ordinary post, at the applicants' own risk to the addresses specified in the relevant applications. Further information is set forth in the section headed "How to apply for the Public Offer Shares – 5. Applying through HK eIPO White Form Service" in this prospectus.

The above expected timetable is a summary only. Further details and information on the structure of the Share Offer, including the conditions thereto and the procedures for application for the Public Offer Shares, is set forth in the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

Prospective investors of the Public Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to us given by the Sole Bookrunner (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day trading in our Shares commences on the Stock Exchange.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company, solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus. The offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms 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 included in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer. Information contained in our Company's website, located at www.grandtalentsgroup.com.hk, does not form part of this prospectus.

	Page
Characteristics of GEM	i
Expected Timetable	ii
Contents	v
Summary	1
Definitions	13
Glossary of Technical Terms	24
Forward-looking Statements	27
Risk Factors	28
Information about this Prospectus and the Share Offer	40
Directors and Parties Involved in the Share Offer	44
Corporate Information	47
Industry Overview	49

CONTENTS

	Page
Regulatory Overview	59
History, Development and Reorganisation	79
Business	89
Relationship with our Controlling Shareholders	164
Connected Transactions	169
Directors and Senior Management	171
Share Capital	186
Substantial Shareholders	190
Financial Information	192
Future Plans and Use of Proceeds	237
Underwriting	256
Structure and Conditions of the Share Offer	265
How to Apply for the Public Offer Shares	274
Appendix I - Accountants' Report	I-1
Appendix II - Unaudited Pro Forma Financial Information	II-1
Appendix III - Summary of the Constitution of the Company and Cayman Islands Company Law	III-1
Appendix IV - Statutory and General Information	IV-1
Appendix V - Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	V-1

OUR BUSINESS

We are an established subcontractor engaged in civil engineering works with over eight years of experience. We principally repair and maintain structures of roads and highways in Hong Kong, with focus in Kowloon and Hong Kong Island. Since 2013, we have extended our services to civil engineering construction works including the construction of sewerage, waterworks and barrier-free access facilities. Except for one of our civil engineering construction project, Project B4, all our ongoing projects were public sector projects as at the Latest Practicable Date.

As at the Latest Practicable Date, there were eight ongoing term contracts for the management and maintenance of roads and highways granted by Highways Department to main contractors. During the Track Record Period, and as at the Latest Practicable Date, we have been engaged as a subcontractor in three out of the eight ongoing term contracts awarded to the main contractors, i.e. Hong Kong Island, Kowloon West and Kowloon East term contracts (Projects A6, A7a, A7b and A11). In general, a roads and highways management and maintenance term contract has the following characteristics:

- (1) a term contract generally lasts for four to six years with continuous works flow during the term;
- (2) works under a term contract are assigned in the form of works orders which are received by the relevant contractors on a daily basis;
- (3) the types of works that are awarded by the Government vary from time to time and subject to the necessities and demands such as wear and tear conditions of different roads, occurrence of traffic accidents and weather conditions;
- (4) certain types of works are granted regularly such as road inspection and road cleansing works orders. Highways Department has its internal guidelines in respect of the periodic cleansing and inspection for different types of roads (e.g. monthly cleansing for covered footbridges, walkways and podium, quarterly cleansing for subways, flyovers and road sign gantries; halfyearly cleansing for underpasses, half-yearly inspection for every highways structures);
- (5) the contract of a term contract normally includes a schedule of rates for each type of works and does not specify the fixed contract sum as the number and types of works orders received vary from time to time.

The common types of roads and highways repair and maintenance works undertaken by us can be categorised into structural works and regional works. Structural works mainly include (i) routine cleansing and inspection of highway structures; (ii) replacement and repair works of highway structures such as expansion joints and bearings, steel roof cladding, crash cushion and steel parapet; (iii) replacement, repair and demolition of road signs; (iv) painting and application of protective coating on highway structures; and (v) concrete pavement and repair. Regional works refer to public roads' maintenance works within a specified district or region such as (i) inspection and general maintenance; (ii) pavement of carriageway and walkpath; (iii) installation of street furniture; and (iv) anti-skid dressing. For details of the structural works and regional works currently offered by the Government, please refer to the section headed "Business – Our services – Repair and maintenance works – Overview of repair and maintenance works for roads and highways" in this prospectus.

As at the Latest Practicable Date, we have completed six repair and maintenance projects and two civil engineering construction projects. We currently have six ongoing major repair and maintenance projects and two ongoing civil engineering construction projects. The following tables summarise brief details of our ongoing and completed major repair and maintenance projects and civil engineering construction projects since incorporation and up to the Latest Practicable Date:

Ongoing repair and maintenance projects

Project code	Types of works	Project location	Project period	Revenue for 2016	the year ended 31	March 2018	revenue recognised during the Track Record Period
			(note 1)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Project A4	Road reinstatement and painting	New Territories East	14 January 2017 to 31 August 2018 (note 2)	-	667	18,963	19,630
Project A6	Management and maintenance of roads (structural works)	Kowloon West	1 November 2015 to 30 June 2020	5,610	18,081	18,197	41,888 (note 5)
Project A7a	Management and maintenance of roads (structural works)	Hong Kong Island	8 June 2017 to 31 March 2023	-	-	11,388	11,388 (note 6)
Project A7b	Management and maintenance of roads (regional works) (note 3)	Hong Kong Island	8 June 2017 to 31 March 2023	-	-	4,124	4,124
Project A9	Upgrading works for slopes and retaining walls	Tsuen Wan Cemetery	18 May 2017 to 31 May 2019	-	-	16,426	16,426
Project A11	Management and maintenance of roads (regional and structural works) (note 4)	Kowloon East	1 April 2018 to 31 March 2024	-	-	-	(note 7)

Accumulated

Notes:

- (1) The period covers the duration of our works with reference to the commencement dates and the expected completion dates of works as set out in the contracts between our customers and us. Such period does not include defects liability period.
- (2) Rectification works are still on going and the Directors expect that the works will complete by the end of September 2018.
- (3) The regional works of this project covered the whole Hong Kong Island.
- (4) The regional works of this project covered Kowloon Bay and Kwun Tong.
- (5) As at 31 August 2018, we have received 52 works orders from Project A6 which are expected to generate approximately HK\$10.1 million of revenue for the year ending 31 March 2019.
- (6) As at 31 August 2018, we have received 33 works orders from Project A7a which are expected to generate approximately HK\$26.4 million of revenue for the year ending 31 March 2019.
- (7) The project was awarded in March 2018. As at 31 August 2018, we have received 69 works orders from Project A11 which are expected to generate approximately HK\$17.8 million of revenue for the year ending 31 March 2019.

Completed repair and maintenance projects

Project code	Types of works	Project location	Project period		he year ended 31		Accumulated revenue recognised during the Track Record Period
			(note 1)	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	HK\$'000
Project A1	Sewerage works	Clear Water Bay Road, Pik Shui Sun Tsuen and West of Sai Kung Town	7 April 2014 to 31 October 2015	3,062	-	-	3,062
Project A2a	Management and maintenance of roads (regional works) (note 2)	Kowloon East	1 August 2014 to 31 March 2016	6,259	-	-	6,259
Project A2b	Management and maintenance of roads (regional works) (note 2)	Kowloon East	1 October 2015 to 31 March 2018	3,301	2,343	1,507	7,151
Project A3	Management and maintenance of roads (structural works)	Hong Kong Island	1 April 2011 to 31 March 2017	21,238	30,689	-	51,927
Project A5	Maintenance of slopes in country parks	Hong Kong Island, Kowloon and New Territories	28 May 2016 to 27 November 2017	-	5,762	4,054	9,816
Project A10	Management and maintenance of roads (structural works)	Kowloon West	1 April 2010 to 31 March 2014	-	-	_	-

Notes:

- (1) The period covers the duration of our works with reference to the commencement dates and completion dates as set out in the contracts between our customers and us. Such period does not include defect liability period.
- (2) The regional works of this project covered Kowloon Bay.

Ongoing civil engineering construction projects

									Accumulated		Outstanding
									revenue		contract sum
									recognised		not yet
									during the		recognised as
									Track	Contract	at 31 March
									Record	sum	2018
Proj	ect code	Types of works	Project location	Project period	Contract sum	Revenue for th	e year ended 31	March	Period	reduction	(note 2)
				(note 1)	(note 2)		2016	2017	2018		
						HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Proje	ect B3	Construction of lift and ramp to footbridge	Hung Hom, Tai Po Road, Choi Wan, Fung Tak	8 August 2016 to 29 January 2020	50,845	-	6,241	15,452	21,693	-	29,152 (note 3)
Proje	ect B4	Road widening, utilities & services, diversion and connection for proposed residential development	Yau Tong Inland	1 April 2018 to 29 April 2019	8,580	-	-	-	-	-	(note 4)

Notes:

- (1) The period covers the duration of our works with reference to the commencement dates and the expected completion dates of works based on the duration of works as set out in the contracts between our customers and us. Such period does not include defects liability period.
- (2) The contract sum is based on the contract(s) between our customer and us but does not include additions and modifications due to subsequent price adjustment or variation orders such that the final revenue recognised from a contract may be different from the contract sum.
- (3) As at 31 August 2018, approximately HK\$7.2 million was recognised as revenue and the outstanding contract sum as at 31 August 2018 was approximately HK\$21.9 million, of which approximately HK\$12.0 million is expected to be recognised for the year ending 31 March 2019.
- (4) Contract has not yet commenced as at 31 March 2018. As at 31 August 2018, approximately HK\$1.4 million was recognised as revenue and the outstanding contract sum as at 31 August 2018 was approximately HK\$7.2 million, of which approximately HK\$4.8 million is expected to be recognised for the year ending 31 March 2019.

Completed civil engineering construction projects

								Accumulated revenue recognised during the Track Record	Contract sum	Outstanding contract sum not yet recognised as at 31 March
Project code	Types of works	Project location	Project period	Contract sum	Revenue for th	e year ended 31	March	Period	reduction	2018 (note 2)
	••		(note 1)	(note 2)	2016	2017	2018			
			,	, ,	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Project B1	Provision of barrier-free access	Kowloon and Hong	16 July 2013 to	48,547	-	-	-	-	40,444	-
	facilities for highway structures	Kong Island	31 July 2014						(note 3)	
Project B2	Construction of lift and staircase to	Tin Shui Wai	12 May 2015 to	31,348	11,472	9,554	1,108	22,134	9,214	_
·	footbridge		9 November 2017					(note 4)	(note 4)	

Notes:

- (1) The period covers the duration of our works with reference to the commencement dates and the expected completion dates of works based on the duration of works as set out in the contracts between our customers and us. Such period does not include defects liability period.
- (2) The contract sum is based on the contract(s) between our customer and us but does not include additions and modifications due to subsequent price adjustment or variation orders such that the final revenue recognised from a contract may be different from the contract sum.
- (3) Project B1 was terminated after discussion between TMD and Customer L. Prior to the termination of the project, we had performed certain preliminary works which included (i) implementation of temporary traffic arrangement; (ii) site investigation; and (iii) underground utilities diversion. Our Directors considered the project not profitable after performing such preliminary works as they anticipated the continuation of the project would involve unexpected additional costs and labour. These additional costs were as a result of (i) unforeseeable additional requirements from the police on temporary traffic arrangement such as but not limited to more escort vehicles and cones compared to the stated quantity on approvals; (ii) unexpected complicated ground conditions such as unanticipated large amount of boulders appeared which would lead to longer time and higher cost to remove such boulders; and (iii) additional amount of underground utilities lines that need to be diverted before the commencement of lift tower construction. As a result, Project B1 was terminated in July 2014 after discussion with Customer L. No damage was required to be paid by us.
- (4) The contract sum reduction in Project B2 for the amount of approximately HK\$9.2 million was primarily due to modifications and variation of works such as cancellation of preliminary works (for instance, erection of metallic site hoarding), reduction in required quantity as compared to the estimated quantity in the contract and adjustment for price fluctuation.

For further details of our projects, please refer to the section headed "Business - Our projects" in this prospectus. The following table sets out a breakdown of our revenue during the Track Record Period attributable to the two project categories:

	For the year ended 31 March							
	2016 HK\$'000	%	2017 HK\$'000	%	2018 HK\$'000	%		
	,		11Κψ 000	70	,	,-		
Repair and maintenance projects	41,375	78.3	57,774	78.5	75,204	82.0		
– Structural works	26,848	50.8	48,770	66.3	29,585	32.3		
– Regional works	9,560	18.1	2,343	3.2	5,631	6.1		
– Others (note 1)	4,967	9.4	6,661	9.0	39,988	43.6		
Civil engineering construction	,		,		,			
projects	11,472	21.7	15,795	21.5	16,560	18.0		
Total	52,847	100.0	73,569	100.0	91,764	100.0		

Note:

(1) Others refer to repair and maintenance projects awarded by Government departments other than Highways Department.

During the Track Record Period, we secured new businesses mainly through participating in direct invitation to tender or request for quotation by customers on a project-by-project basis. Our tender price was prepared based on a schedule of rates. We are paid based on actual number of works orders completed by us in the project. For civil engineering construction projects, we determine our tender prices by adopting a cost-plus model with reference to the time and costs estimated to be involved in a project.

The following table sets out the number of tenders we submitted for repair and maintenance projects and civil engineering construction projects, and the respective tender success rates during the Track Record Period:

	For the year ended 31 March								
	2016		2017		2018				
	No. of tenders submitted	Success rate	No. of tenders submitted	Success rate	No. of tenders submitted	Success rate			
Repair and maintenance projects Civil engineering construction	2	100%	Nil	N/A	2	100%			
projects	15	13.3%	2	0%	3	33.3%			

After the Track Record Period and as at the Latest Practicable Date, we have submitted three tenders for civil engineering construction projects pending acceptance. Our Directors expect to receive the tender results in around October 2018.

Tendering strategy

We mainly tendered for roads and highways management and maintenance contracts with Highways Department in Kowloon and Hong Kong Island during the Track Record Period as we have familiarised ourselves with the road conditions and requirements in those areas during the period. Going forward, we will continue to maintain our market position by focusing on these areas for both structural and regional works. Since our establishment, we have secured two consecutive terms for Kowloon West management and maintenance term contracts for structural works, two consecutive terms for structural works and regional works in Hong Kong Island and two consecutive terms contracts for regional works in Kowloon East – Kowloon Bay. In March 2018, we have also secured the management and maintenance term contract for structural works in Kowloon East and regional works in Kowloon East – Kwun Tong in addition to our existing Kowloon Bay regional works term contract.

Since 2013, we have also been engaging in the provision of civil engineering construction works. We are registered as an approved contractor of HAD in Tsuen Wan District on a probationary status with effect from 15 May 2018. Going forward, we plan to undertake more civil engineering construction projects. We are currently applying for registration as an approved contractor for public works – roads and drainage – Group A (probation) with the WBDB. Upon successful registration with the Group A contractor list, we will be able to tender for projects in the capacity as a main contractor for civil engineering construction projects for contract sum not more than HK\$100 million. For details of our application, please refer to the section headed "Business – Licences, permits and qualifications" in this prospectus.

Major registrations and qualifications

We have obtained various registrations and qualifications in respect of our services. As at the Latest Practicable Date, we held the following registrations in respect of our business operation in Hong Kong:

Relevant Government departments or public organisation	Category	Holder	Date of first registration	Expiry date for existing licence
CIC	Registered subcontractor for demolition, foundation and piling, reinforcement bar fixing, scaffolding, structural steelworks, general civil works, other structural and civil trades, marble, granite and stone works, painting, metal works and other finishing trades and components (signage and graphics) (note 1)	TMD	13 December 2010	12 December 2018
CIC	Registered subcontractor for demolition, general civil works, other structural and civil trades (note 1)	TMC	24 July 2016	23 July 2023
Relevant Government				
departments or public organisation	Category	Holder	Date of first registration	Expiry date for existing licence
AFCD	Supplier list Category L - Grass cutting (note 2)	TMD	29 May 2017	N/A
FEHD	Supplier's list for cleansing services; paint, enamels, lacquers, varnishes; grasscutting services; and turfing, topsoil & subsoil (note 3)	TMD	23 May 2017	N/A
HAD	District List of HAD approved contractors (Tsuen Wan District) (note 4)	TMD	15 May 2018	14 May 2019

Note:

- (1) Subcontractors engaged for public sector works shall be registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme. For further details, please refer to the section headed "Regulatory Overview-Laws and Regulations in relation to Contractor licensing and registration Subcontractor Registration Scheme" in this prospectus.
- (2) The application for inclusion in AFCD Suppliers list is voluntarily made by TMD to receive invitations to quotations issued for the provision of grasscutting services as AFCD suppliers, as and when opportunities arise.
- (3) The application for inclusion in the list of FEHD suppliers is voluntarily made by TMD in order to receive notification on tender issued for the supply of categories of services for which TMD has been included, as and when opportunities arise.
- (4) As an approved contractor, we are eligible for tendering projects from HAD as a main contractor.

Customers

During the Track Record Period, our customers primarily include main contractors and subcontractors of various types of civil engineering projects in Hong Kong. For the three years ended 31 March 2018, our total revenue amounted to approximately HK\$52.8 million, HK\$73.6 million and HK\$91.8 million respectively. During the relevant period, the percentage of revenue incurred from our top customer amounted to approximately 46.0%, 41.7% and 20.7% of our revenue respectively while the percentage of revenue incurred from our top five customers combined amounted to approximately 96.4%, 98.8% and 87.6% of our revenue respectively. For further details, please refer to the section headed "Business – Customers" in this prospectus.

Set out below is a breakdown of our revenue derived from main contractor customers and subcontractor customers during the Track Record Period:

	For the year ended 31 March									
	2016				2018					
	HK\$'000	%	HK\$'000	%	HK\$'000	%				
Main contractors	41,382	78.3	70,327	95.6	38,811	42.3				
Subcontractors	11,465	21.7	3,242	4.4	52,953	57.7				
Total	52,847	100.0	73,569	100.0	91,764	100.0				

Notwithstanding the high customer concentration, our Directors consider that our business model is sustainable having regard to, amongst others, the nature of the roads and highways management and maintenance industry which our potential customer base is relatively limited and concentrated to reputable contractors in Hong Kong; our ability to renew the management and maintenance term contracts; and our complementary business relationship with our major customers arising out of our experience and proven track record in the industry. During the Track Record Period, we have renewed three roads and highways management and maintenance term contracts, namely, the Kowloon West project, Hong Kong Island project and Kowloon East project. For further details, please refer to the section headed "Business – Customers – Customers' concentration" in this prospectus.

Subcontractors

During the Track Record Period, we subcontracted works that require specific licences and skills such as site formation, piling, road marking, replacement of expansion joints and installation of electric components to our subcontractors. We also subcontracted other works that do not require specific qualifications such as painting and cleansing to our subcontractors for the purpose of better allocation of our resources and alleviation of our tight labour supply.

For the three years ended 31 March 2018, our total subcontracting fees amounted to approximately HK\$24.5 million, HK\$31.5 million and HK\$27.2 million respectively. During the relevant period, the percentage of our subcontracting charges paid to our largest subcontractor accounted for approximately 66.4%, 73.7% and 26.0% of the total subcontracting charges while the percentage of our subcontracting charges paid to our five largest subcontractors accounted for approximately 91.3%, 84.9% and 64.2% of the total subcontracting charges, respectively. For further details, please refer to the section headed "Business – Subcontractors" in this prospectus.

Relationship with Talent Global

Talent Global was our largest subcontractor for the two years ended 31 March 2017. The subcontracting charges we paid to Talent Global amounted to approximately HK\$16.3 million and HK\$23.2 million, representing 66.4% and 73.7% of our total subcontracting charges incurred during these two years respectively. We established Talent Global, as a 50/50 joint venture, with Sun Kong in June 2011. Sun Kong also established another 50/50 joint venture, Harbour Environmental Engineering Limited ("Harbour Engineering"), with an Independent Third Party. We established Talent Global with Sun Kong for performing the roads and highways management and maintenance subcontract for Hong Kong Island, which was our first term contract in Hong Kong Island. Leveraged on the expertise of Harbour Engineering, we were able to develop our practical knowledge on the road and traffic conditions in Hong Kong Island and build up adequate internal human resources and necessary equipment. After completing the first term contract in Hong Kong Island, we managed to renew the contract on our own in April 2017. After the Listing, we will no longer continue our subcontracting arrangement with Talent Global. For further details, please refer to the section headed "Business – Subcontractors – Relationship with Talent Global" in this prospectus.

Suppliers

We are usually responsible for sourcing construction materials for our projects. Common materials include paint, asphalt, concrete and repair mortar for repair and maintenance works; and formwork, steel reinforcement bars, structural steel and concrete for civil engineering construction works. In some cases we are provided with materials by our customers pursuant to contra charge arrangement. For further details, please refer to the section headed "Business – Customers – Contra charge arrangement with our customers".

For the three years ended 31 March 2018, we incurred approximately HK\$1.5 million and HK\$1.9 million material costs, respectively. Our five largest suppliers accounted for approximately 79.9%, 50.7% and 74.7% of our total purchases (excluding subcontracting charges and contra charge), respectively. For further details, please refer to the section headed "Business – Suppliers" in this prospectus.

COMPETITIVE LANDSCAPE AND MARKET POSITION

According to the Ipsos Report, the roads and highways management and maintenance industry of Hong Kong is competitive, with a large number of contractors active in the market. In 2017, the top five contractors engaged in the roads and highways repair and maintenance works accounted for approximately 39.0% of total revenue generated from roads and highways repair and maintenance works in Hong Kong, while the other contractors take up the remaining 61.0% of the market. We recorded about HK\$75.2 million of revenue for the year ended 31 March 2018, which was about 4.6% of the total estimated revenue generated from roads and highways repair and maintenance works in the market. For details, please refer to the section headed "Industry Overview – Competitive landscape of the roads and highways management and maintenance industry in Hong Kong" in this prospectus.

COMPETITIVE STRENGTHS

We believe our competitive strengths, details of which are set out in the section headed "Business – Competitive strengths" in this prospectus, contribute to our success and differentiate us from our competitors. Our main competitive strengths include (i) stable relationship with our major customers, subcontractors and suppliers; (ii) well-established presence in roads and highways management and maintenance industry in Hong Kong; (iii) strong, experienced and competent management team; (iv) our commitment to maintaining safety standard, quality control and environmental protection; and (v) flexibility and capability to provide alternative design proposal.

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to solidify our established market position in the roads and highways management and maintenance industry and enhance our market position in the civil engineering construction sector. We intend to achieve our business objective by adopting the following business strategies: (i) acquiring additional machinery and equipment; (ii) further strengthening our manpower; (iii) continuing to expand our scope of services in repair and maintenance works; and (iv) strengthening our financial capabilities to undertake more new and larger scale projects. For further details, please refer to the section headed "Business – Business strategies" in this prospectus.

REASONS FOR LISTING AND USE OF PROCEEDS

Our Directors believe that the Listing will enhance our market position in the industry and compete with our major competitors, and hence our ability to attract new businesses. Our Directors consider that the net proceeds from the Share Offer together with our internal resources will be sufficient to finance the implementation of our business plans as set forth in the section headed "Future Plans and Use of Proceeds - Implementation plans" in this prospectus.

Based on the Offer Price of HK\$0.475 per Offer Share, being the mid-point of the indicative Offer Price ranging from HK\$0.40 to HK\$0.55 per Offer Share and assuming the Offer Size Adjustment Option is not exercised, the net proceeds from the Share Offer are estimated to be approximately HK\$34.0 million, after deducting the relevant expenses in connection with the Share Offer. The following table sets forth a breakdown of how the net proceeds from the Share Offer are intended to be applied and the timing of application:

	From the Latest Practicable Date to 31 March 2019 HK\$'000	From 1 April 2019 to 30 September 2019 HK\$'000	From 1 October 2019 to 31 March 2020 HK\$'000	From 1 April 2020 to 30 September 2020 HK\$'000	From 1 October 2020 to 31 March 2021 HK\$'000	Total <i>HK</i> \$'000	Approximate % of the total net proceeds %
Acquisition of additional machinery and equipment Strengthening our manpower Strengthening our financial capabilities:	6,105 2,760	5,080 2,760	810 2,760	2,760	2,760	11,995 13,800	35.3 40.6
(i) surety bond for the tender of new projects	3,000	-	-	-	_	3,000	8.8
(ii) surety bond for Project A6	2,000	_	-	_	_	2,000	5.9
Working Capital	3,205					3,205	9.4
Total	17,070	7,840	3,570	2,760	2,760	34,000	100

For further information, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

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

Highlights of combined statements of comprehensive income

	Year ended 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Revenue	52,847	73,569	91,764	
Cost of sales	(37,608)	(50,814)	(65,926)	
Gross profit	15,239	22,755	25,838	
Other income	380	552	489	
Other gains and losses	537	(12)	189	
Administrative expenses	(2,835)	(3,514)	(6,183)	
Listing expenses	_	_	(8,681)	
Share of results of a joint venture	_	_	(1,254)	
Finance costs	(194)	(177)	(333)	
Profit before taxation	13,127	19,604	10,065	
Income tax expense	(2,128)	(3,149)	(3,211)	
Profit and total comprehensive income for the				
year	10,999	16,455	6,854	

Our revenue increased by approximately HK\$18.2 million, or 24.7% for the year ended 31 March 2018 as compared to the year ended 31 March 2017 which was mainly due to the commencement of three repair and maintenance projects with an aggregate revenue recognised of approximately HK\$31.9 million during the year ended 31 March 2018. Our revenue increased by approximately HK\$20.8 million, or 39.2%, for the year ended 31 March 2017 as compared to the year ended 31 March 2016 which was due to the commencement of one repair and maintenance project for structural works in November 2015 and one civil engineering construction project in August 2016.

Our gross profit increased by approximately HK\$3.0 million, or 13.5% for the year ended 31 March 2018 as compared to the year ended 31 March 2017 due to increase in revenue. Our gross profit increased by approximately HK\$7.6 million, or 49.3%, for the year ended 31 March 2017 as compared to the year ended 31 March 2016 due to the increase in revenue. On the other hand, our profit and total comprehensive income for the year ended 31 March 2018 as compared to the year ended 31 March 2017 has decreased by approximately HK\$9.6 million, or 58.3%, mainly due to the incurring of Listing expense and increase in administrative expenses, which was mainly attributable to the increase in staff costs, as we have reemployed our staff who was seconded to our customer for project implementation. Our profit and total comprehensive income for the year ended 31 March 2017 as compared to the year ended 31 March 2016 has increased by approximately HK\$5.5 million or 50.0% which was in line with the increase in revenue.

For the three years ended 31 March 2018, we recorded other income of approximately HK\$380,000, HK\$552,000 and HK\$489,000 respectively which were principally imputed interest income on amounts due from a related party and our Directors. During the Track Record Period, we made advances to Ms. Wang Shen, mother of Mr. Ha, and our Directors, at lower-than-market interest rates, the difference between the fair values of the lower-than-market advances to each of them and the nominal amounts of the advances at initial recognition are recognised as deemed distribution. The effective interest method is a method of calculating the amortised cost of the debt instrument and of allocating interest income over the relevant

period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instruments, or, where appropriate, a shorter period, to the net carrying amount on initial recognition, imputed interest income is therefore recognised on an effective interest basis.

	Year ended 31 March					
	2016		2017		2018	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Repair and maintenance project	11,706	28.3	18,496	32.0	23,767	31.6
– Structural works	6,840	25.5	16,141	33.1	9,803	33.1
– Regional works	3,184	33.3	743	31.7	1,579	28.0
- Others	1,682	33.9	1,612	24.2	12,385	31.0
Civil engineering construction						
project	3,533	30.8	4,259	27.0	2,071	12.5
						(note 1)
Total	15,239	28.8	22,755	30.9	25,838	28.2

Note:

(1) After the contract sum reduction, revenue recognised for Project B2 for two years ended 31 March 2017 exceeded the adjusted total contract sum, resulting in a negative revenue and a negative gross profit for the year ended 31 March 2018.

During the Track Record Period, our gross profit margin varied from project to project and was mainly attributable to our nature of works carried out. The price of our works orders was determined based on schedule of rates for repair and maintenance projects, and we adopted a cost-plus pricing model for tendering civil engineering construction projects in general.

Highlights of combined statements of financial position

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	3,271	1,299	1,205
Current assets	25,160	40,436	60,036
Current liabilities	14,213	11,636	24,160
Non-current liabilities	253	140	261
Net-current assets	10,947	28,800	35,876
Net assets	13,965	29,959	36,820

As at 31 March 2018, our net current assets increased by approximately HK\$7.1 million, or 24.6%, mainly due to (i) an increase in the number of projects during the year ended 31 March 2018 which in turn lead to an increase in our trade and other receivables of approximately HK\$22.1 million. Our current liabilities increased primarily due to the following reasons: (i) an increase in our trade and other payables of approximately HK\$11.5 million; (ii) bank borrowings increased by approximately HK\$1.8 million; and (iii) tax payable decreased by approximately HK\$1.0 million. For details, please refer to the section headed "Financial Information – Liquidity, financial resources and capital structure – Current assets and liabilities" in this prospectus.

As at 31 March 2017, our net current assets increased by approximately HK\$17.9 million, or 163.1%, mainly due to (i) an increase in the number of projects during the year ended 31 March 2017 which in turn lead to an increase in our trade and other receivables of approximately HK\$13.8 million; (ii) an increase in amount due from directors of approximately HK\$2.3 million; and (iii) an increase in amounts due from related parties of approximately HK\$2.5 million. Our current liabilities decreased primarily due to the

following reasons: (i) amount due to a joint venture decreased by approximately HK\$5.8 million; (ii) bank borrowings decreased by approximately HK\$0.4 million; and (iii) tax payable increased by approximately HK\$3.1 million.

Highlights of combined statements of cash flows

Year ended 31 March		
2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
13,450	20,126	11,893
7,513 (2,440) (3,039)	3,133 (3,586) (701)	374 (8,716) 7,890
2,034	(1,154)	(452)
2,448	2,448 1,294	1,294
	2016 HK\$'000 13,450 7,513 (2,440) (3,039) 2,034 414	2016 HK\$'000 2017 HK\$'000 13,450 20,126 7,513 (2,440) (3,586) (3,039) 3,133 (3,586) (701) 2,034 414 (1,154) 2,448

During the six months ended 30 September 2016, our net cash used in operating activities was approximately HK\$0.8 million. For further details, please refer to the section headed "Financial Information – Liquidity, financial resources and capital structure – Cash flows" in this prospectus.

Summary of financial ratios

	As at or for 2016	As at or for the year ended 2016 2017	
Profitability ratios			
Return on assets	38.7%	39.4%	11.2%
Return on equity	78.8%	54.9%	18.6%
Liquidity ratios			
Current ratio	1.8 times	3.5 times	2.5 times
Quick ratio	1.8 times	3.5 times	2.5 times
Capital adequacy ratios			
Gearing ratio	12.0%	3.8%	8.6%
Net debt to equity ratio	N/A	N/A	6.3%
Interest coverage	68.7 times	111.8 times	31.2 times

SHAREHOLDERS' INFORMATION

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option), our ultimate Controlling Shareholders, namely, Mr. Ha and Mr. Ip, are acting in concert as a group and through Talent Prime (an investment holding company owned as to 50% each by Mr. Ha and Mr. Ip) indirectly held in aggregate 69.75% interest in our Company. Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details. Mr. Ha and Mr. Ip have entered into the Concert Parties Confirmatory Deed on 18 December 2017, the details of which are set out in the section headed "History, Development and Reorganisation" in this prospectus.

PRE-IPO INVESTMENT

On 1 August 2017, the Pre-IPO Investor, which is wholly-owned by our non-executive Director Mr. Lau, entered into the Pre-IPO Investment Agreement, pursuant to which the Pre-IPO Investor agreed to subscribe for 700 shares in China Talents at a consideration of HK\$7 million. For further details on the biography of Mr. Lau, please refer to the section headed "Directors and Senior Management – Non-executive Director" in this prospectus. Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option), the Pre-IPO Investor will own 5.25% of the entire issued share capital of our Company. The proceeds from the Pre-IPO Investment have been fully utilised and were primarily used as our general working capital for payment of salary and settlement of subcontracting charges for the two months ended 30 September 2017. The shares held by the Pre-IPO Investor are not subject to any lock-up upon Listing and are not considered as part of the public float given that Mr. Lau is our non-executive Director. For further details, please refer to the section headed "History, Development and Reorganisation – Reorganisation – 2. Pre-IPO Investment" in this prospectus.

THE SHARE OFFER AND THE OFFER STATISTICS

The Share Offer comprises the Public Offer of 12,000,000 Shares initially offered in Hong Kong, and the Placing of 108,000,000 Shares (subject, in each case, to reallocation and the Offer Size Adjustment Option on the basis as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus).

	Based on the Offer Price of HK\$0.40	Based on the Offer Price of HK\$0.55
Market capitalisation (note 1)	HK\$192 million	HK\$264 million
Unaudited pro forma adjusted net tangible assets per Share (note 2)	HK\$0.15	HK\$0.18

Notes:

- 1. The calculation of the market capitalisation of the Shares is based on 480,000,000 Shares in issue and to be issued immediately after completion of the Share Offer but does not take into account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
- 2. For the calculation of the unaudited pro forma adjusted combined net tangible asset value per Share attributable to the Shareholders, please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$23.0 million, assuming the Offer Size Adjustment Option is not exercised and based on the mid-point of the indicative Offer Price range. The Listing expenses are non-recurring in nature and mainly consisted of professional fees paid to the Sole Sponsor, the legal advisers, the Reporting Accountants and other professional parties for the provision of their services in connection with the Share Offer. No Listing expense was incurred during the two years ended 31 March 2017. Of the aggregate Listing expenses of approximately HK\$23.0 million, approximately HK\$8.7 million was charged to profit or loss for the year ended 31 March 2018. We expect to further charge approximately HK\$7.1 million to profit or loss, while approximately HK\$7.2 million is expected to be directly attributable to the issue of Shares and accounted for as a deduction from equity upon successful Listing under the relevant accounting standards. The amount of Listing expenses is a current estimate for reference only and the final amount to be recognised to our combined statement of comprehensive income for the year ending 31 March 2018 is subject to audit and the actual changes in variables and assumptions.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period, we settled a personal injury claim with one of our ex-employees for an accident happened before the Track Record Period. During the Track Record Period and as at the Latest Practicable Date, there was a personal injury suffered by one of our existing employees. For further details, please refer to the section headed "Business – Litigation and potential claims" in this prospectus. Save as

disclosed under the paragraph headed "Litigations and potential claims" in the "Business" section, our Directors confirmed that there was no reported work injuries of our employees during the Track Record Period and as at the Latest Practicable Date.

NON-COMPLIANCE

During the Track Record Period, there were several incidents which we did not timely and/or duly comply with the Inland Revenue Ordinance. Based on (1) the nature and reasons of the historical noncompliance incidents; (ii) the views of our Legal Counsel that the chance of prosecution and imposing maximum penalty is low; and (iii) all remedial actions and relevant enhanced internal control measures that have been implemented, our Directors are of the view that these incidents will have no material adverse impact on our business operation and financial conditions. For details of the non-compliance incidents and our internal control measures to prevent recurrence of the non-compliance incidents, please refer to the section headed "Business – Non-compliance" in this prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Potential investors are advised to read the section headed "Risk Factors" in this prospectus carefully before making any investment decision in the Share Offer. Some of our major risks relating to our business are (i) we rely on public sector projects which by their nature are only awarded by a limited number of customers who are normally main contractors of the Government projects; (ii) we plan to expand our capacity by continuing to acquire additional machinery and equipment, such expansion may result in increase in depreciation expenses and may affect our financial results and conditions; (iii) in the event that we are unable to renew our existing term contracts, any decrease in the number of our projects would affect our operations and financial results; (iv) our operations may be affected by adverse weather conditions and are subject to other construction risks.

RECENT DEVELOPMENT

Business updates

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking repair and maintenance works and civil engineering construction works in Hong Kong. In March 2018, we were awarded the roads and highways management and maintenance term contract for both structural works and regional works in Kowloon East (Project A11). We have submitted three tenders for civil engineering construction projects with aggregate tender price of approximately HK\$104.1 million after the Track Record Period and expect to receive the tender results in around October 2018. As at the Latest Practicable Date, we had eight ongoing major projects out of which six of them were repair and maintenance projects and the remaining two was a civil engineering construction project. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to us and none of them have had any material interruption.

Financial updates

Our Directors are of the view that our financial results for the year ending 31 March 2019 will be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring, and the expected increase in staff cost. The estimated Listing expenses as mentioned in the paragraph headed "Listing expenses" in this section are subject to adjustments based on the actual amount incurred or to be incurred. Prospective investors should note the impact of the Listing expenses and the expected increase in staff cost on our financial performance for the year ending 31 March 2019.

MATERIAL ADVERSE CHANGE

The impact of the Listing expenses and the expected increase in staff cost on the profit and loss accounts has posted a material adverse change in our financial or trading position or prospect since 31 March 2018 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the Listing expenses and the expected increase in staff cost on our financial performance for the year ending 31 March 2019.

Save as disclosed above, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Company or its subsidiaries since 31 March 2018 (being the date of which our latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 March 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Accountants' Report" the accountants' report of our Group for the Track Record Period, the text of which is set out in Appendix I to this prospectus

"AFCD" Agriculture, Fisheries and Conservation Department of the

Government

"affiliate" in relation to a body corporate, any subsidiary undertaking or parent

undertaking of such body corporate, any subsidiary undertaking of

any such parent undertaking for the time being

"Application Form(s)" WHITE Application Form(s), YELLOW Application Form(s) and

GREEN Application Form(s), or where the context so requires, any

of them, relating to the Public Offer

"Articles of Association" or the articles of association of our Company, conditionally adopted on 21 September 2018 and which will become effective upon

on 21 September 2018 and which will become effective upon Listing and as amended from time to time, a summary of which is set forth in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to

this prospectus

"associate(s)" has the meaning ascribed thereto under the GEM Listing Rules

"Board" our board of Directors

"Building Authority" the Building Authority of the Government

"Buildings Department" the Buildings Department of the Government

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

as amended, supplemented or otherwise modified from time to time

"business day" any day (other than a Saturday, Sunday or public holiday) on which

licensed banks in Hong Kong are generally open for business

"BVI" the British Virgin Islands

"Capitalisation Issue" the issue of 359,990,000 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the paragraph headed "A. Further Information about our Company - 3. Written resolutions of our existing Shareholders passed on 21 September 2018" in Appendix IV to this prospectus "CCASS" the Central Clearing and Settlement System established and operated by HKSCC "CCASS Clearing Participant" a person admitted participating in CCASS as a direct participant or a general clearing participant "CCASS Custodian Participant" a person admitted participating in CCASS as a custodian participant "CCASS Investor Participant" a person admitted participating in CCASS as an investor participant who may be an individual or joint individuals or a corporation "CCASS Participant" a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant "CEDD" the Civil Engineering and Development Department of the Government "Chairman" the chairman of our Board, Mr. Ha "CIC" the Construction Industry Council of Hong Kong "Chief Executive Officer" the chief executive officer of our Company, Mr. Ip "China Talents" China Talents Group Limited (廣駿集團有限公司), a company incorporated in BVI on 17 February 2017 with limited liability, which is a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation "Companies Law" the Companies Law, Cap. 22 (as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time "Companies Ordinance" the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time the Companies (Winding Up and Miscellaneous Provisions) "Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, Ordinance" supplemented or otherwise modified from time to time

"Company" Grand Talents Group Holdings Limited (廣駿集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 23 October 2017 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 4 December 2017 "Concert Parties Confirmatory the confirmatory deed dated 18 December 2017, entered into by our Deed" ultimate Controlling Shareholders, namely Mr. Ha and Mr. Ip to acknowledge and confirm, among other things, that they are parties acting in concert in relation to us, details of which are set out in the section headed "History, Development and Reorganisation – Parties acting in concert" in this prospectus "connected person(s)" has the meaning ascribed thereto under the GEM Listing Rules "connected transactions(s)" has the meaning ascribed thereto under the GEM Listing Rules "Controlling Shareholder(s)" has the meaning ascribed thereto under the GEM Listing Rules, means Talent Prime, Mr. Ha and Mr. Ip "Corporate Governance Code" Appendix 15 to the GEM Listing Rules, as amended, supplemented or otherwise modified from time to time "Deed of Indemnity" the deed of indemnity dated 21 September 2018 given by our Controlling Shareholders in favour of our Company (for itself and on behalf of its subsidiaries) regarding certain indemnities, details of which are set out in the paragraph headed "Statutory and General Information – E. Other Information – 1. Tax and other indemnities" in Appendix IV to this prospectus "Deed of Non-competition" the deed of non-competition undertaking dated 21 September 2018 given by our Controlling Shareholders in favour of our Company (for itself and on behalf of its subsidiaries) regarding noncompetition undertaking, details of which are set out in the section headed "Relationship with our Controlling Shareholders -Deed of Non-Competition" in this prospectus "Development Bureau" the Development Bureau of the Government "Director(s)" the director(s) of our Company "DSD" the Drainage Services Department of the Government "FEHD" the Food and Environment Hygiene Department of the Government "GEM" GEM operated by the Stock Exchange

"GEM Listing Rules" the Rules Governing the Listing of Securities on GEM of the Stock

Exchange, as amended, supplemented or otherwise modified from

time to time

"Government" the Government of Hong Kong

"GREEN Application Form(s)" the application form(s) to the completed by HK eIPO White Form

Service Provider

"Group", "our Group", "we", "our"

or "us"

our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the

holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be)

our predecessors

"HAD" the Home Affairs Department of the Government;

"HK eIPO White Form" the application of the Public Offer Shares to be issued in the

applicant's own name by submitting applications online through the

designated website at www.hkeipo.hk

"HK eIPO White Form Service

Provider"

the HK eIPO White Form service provider designated by our

Company, as specified on the designated website at www.hkeipo.hk

"HKFRSs" Hong Kong Financial Reporting Standards

"HKSCC" Hong Kong Securities Clearing Company Limited

"HKSCC Nominees" HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"HK\$" or "Hong Kong dollars" or

"HK dollars"

Hong Kong dollars, lawful currency of Hong Kong

"Hong Kong" the Hong Kong Special Administrative Region of the PRC

"Hong Kong Branch Share

Registrar"

Tricor Investor Services Limited

"Hong Kong Legal Adviser" CFN Lawyers in association with Broad & Bright, the legal adviser

to our Company as to Hong Kong laws in connection with the

Listing

"Highways Department" the Highways Department of the Government

"Independent Third Party(ies)" an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial Shareholders of our Company, our subsidiaries or any of their respective associates "Infinite Honor" or "Pre-IPO Infinite Honor Limited (譽永有限公司), a company incorporated in BVI on 5 July 2017 with limited liability and is wholly-owned Investor" by Mr. Lau "Ipsos" Ipsos Limited, an Independent Third Party, being a professional market research company commissioned by our Company for preparing the Ipsos Report "Ipsos Report" the commissioned report dated 16 January 2018 on the market landscape and competitive analysis for the roads and highways management and maintenance in Hong Kong compiled by Ipsos, the content of which is quoted in this prospectus "IRD" the Inland Revenue Department of the Government "Joint Lead Managers" Sun International Securities Limited (太陽國際証券有限公司), a licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO, and Elstone Securities Limited (千里碩證券有限公司), a licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO, being the joint lead managers to the Share Offer "Kaiser Global" Kaiser Global (China) Company Limited (佳承(中國)有限公司), a company incorporated in Hong Kong with limited liability on 14 January 2015 and is wholly owned by Ms. Ha Tsit Hung, Mr. Ha's sister, and a connected person of our Company "Latest Practicable Date" 20 September 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus "Legal Counsel" Mr. Yuen Siu Kei, a barrister-at-law in Hong Kong "Listing" the listing of the Shares on GEM "Listing Committee" the Listing Committee of the Stock Exchange "Listing Date" the date expected to be on or about 15 October 2018, on which our Shares are listed and dealings in our Shares commence on the Stock

Exchange

"Listing Division" the Listing Department of the Stock Exchange

"Main Board" the stock exchange (excluding the option markets) operated by the

Stock Exchange which is independent from and operated in parallel

with GEM of the Stock Exchange

"Memorandum of Association" the memorandum of association of our Company

"MPF Scheme" mandatory provident fund scheme

"Mr. Ha Chak Hung (夏澤虹), being our Chairman, executive

Director and a Controlling Shareholder

"Mr. Ip" Mr. Ip Chu Shing, (葉柱成), being our Chief Executive Officer,

executive Director and a Controlling Shareholder

"Mr. Lau Yik Lok, (劉亦樂), being our non-executive Director

"Ms. Chung" Ms. Chung Ching Yan (鍾靜欣), the spouse of Mr. Ha

"Ms. Lee Ming Ho (李明皓), the spouse of Mr. Ip

"Ms. Zhao" Ms. Zhao Yue (趙月), the spouse of Mr. Lau

"Offer Price" the final price per Offer Share in Hong Kong dollars (exclusive of

brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer, to be determined in the manner further described in the section headed "Structure and conditions of the Share Offer – Pricing and

allocation - Offer price range" in this prospectus

"Offer Shares" the Public Offer Shares and the Placing Shares

"Offer Size Adjustment Option" the option expected to be granted by the Company to the Placing

Underwriters, exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) on or before 11 October 2018 at their sole and absolute discretion under the Placing Underwriting Agreement to require the Company to issue up to an additional 18,000,000 Shares, representing 15.0% of the number of the Offer Shares, at the Offer Price, details of which are described in the section headed "Structure and Conditions of the Share Offer" in this

prospectus

"Placing"

the conditional placing of 108,000,000 Shares by the Placing Underwriters on behalf of our Company together with, where relevant, any additional Offer Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option for cash at the Offer Price, subject to the terms and conditions as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus

"Placing Shares"

the 108,000,000 Shares at the Offer Price pursuant to the Placing, subject to reallocation and the Offer Size Adjustment Option as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus

"Placing Underwriters"

the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares

"Placing Underwriting Agreement"

the conditional placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company and the Placing Underwriters, particulars of which are summarised in the section headed "Underwriting – Underwriting arrangements and expenses – Placing" of this prospectus

"PRC" or "China"

the People's Republic of China and, except where the context otherwise requires and for the purpose of this prospectus only, does not include Hong Kong, Macao Special Administrative Region of the PRC and Taiwan

"Predecessor Companies Ordinance"

the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Company (Winding Up and Miscellaneous Provisions) Ordinance

"Pre-IPO Investment Agreement"

the investment in our Company pursuant to a subscription agreement dated 1 August 2017 in relation to the subscription of 7% of the issued share capital of China Talents and a supplemental agreement to the subscription agreement dated 31 December 2017 entered into between China Talents and Infinite Honor, as further described in the section headed "History, Development and Reorganisation" in this prospectus

"Price Determination Agreement"

the agreement expected to be entered into between our Company and Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the final Offer Price

"Price Determination Date" the date, expected to be on or around 6 October 2018, and in any event, not later than 11 October 2018, on which the final Offer Price is to be fixed for the purpose of the Share Offer "Public Offer" the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms "Public Offer Shares" 12,000,000 new Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus "Public Offer Underwriters" the underwriter(s) of the Public Offer named in the paragraph headed "Underwriting - Public Offer Underwriters" in this prospectus "Public Offer Underwriting the conditional public offer underwriting agreement dated 28 Agreement" September 2018 relating to the Public Offer entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, and the Public Offer Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus "Reorganisation" the reorganisation we have undergone in preparation for the Listing of Shares on the Stock Exchange which are more particularly described in the section headed "History, Development and Reorganisation" in this prospectus "Reporting Accountants" Deloitte Touche Tohmatsu, the reporting accountants and auditors of our Group in connection with the Listing "Repurchase Mandate" the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in the paragraph headed "A. Further Information about Our

the Securities and Futures Commission of Hong Kong

Company – 3. Written resolutions of our existing Shareholders passed on 21 September 2018" in Appendix IV to this prospectus

"SFC"

"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) in the share capital of our Company with a

nominal value of HK\$0.01 each

"Share Offer" the Public Offer and the Placing

"Share Option Scheme" the share option scheme our Company conditionally adopted on 21

September 2018, the principal terms of which are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to

this prospectus

"Shareholder(s)" holder(s) of Shares

"Sole Bookrunner" Sun International Securities Limited (太陽國際証券有限公司), a

licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO, being the sole

bookrunner to the Share Offer

"Sole Sponsor" or "Pulsar Capital" Pulsar Capital Limited, a licensed corporation for carrying on type

1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and sponsor for the Share Offer,

and an Independent Third Party

"Specialist List" the List of Approved Suppliers of Materials and Specialist

Contractors for Public Works as kept by the Development Bureau

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"Subcontractor Registration Subcontractor Su

Scheme"

Subcontractor Registration Scheme of the CIC of the Government

"subsidiary(ies)" a company which is for the time being and from time to time a

subsidiary (within the meaning of the Companies (Winding Up and

Miscellaneous Provision Ordinance) of our Company

"substantial shareholder(s)" has the meaning ascribed thereto under the GEM Listing Rules

"Sun Kong" Sun Kong Construction & Development Limited (新港建築發展有

限公司), a company incorporated in Hong Kong on 7 March 2015 with limited liability and is owned as to 50% by each of the two

Independent Third Parties respectively

"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 "Talent Global" Talent Global Development Limited (駿承發展有限公司), a company incorporated in Hong Kong with limited liabilities on 30 June 2011, which is a 50/50 joint venture of TMD and Sun Kong "Talent Prime" Talent Prime Group Limited (駿盛控股有限公司), a company incorporated in BVI on 5 July 2017 with limited liability and is owned as to 50% and 50% by Mr. Ha and Mr. Ip, respectively "Talent Tren" Talent Tren Construction Limited (駿豪建築有限公司), a company incorporated in Hong Kong with limited liability on 22 August 2013 and owned as to 33.33% and 66.67% by an Independent Third Party and TMD, respectively, since its incorporation up to its deregistration on 14 July 2017 "TMD" Talent Mark Development Limited (駿標發展有限公司), a company incorporated in Hong Kong with limited liability on 29 April 2010 which is an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation "TMC" Talent Mart Construction Co., Limited (俊標工程有限公司), a company incorporated in Hong Kong with limited liability on 4 April 2014 which is an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation "Track Record Period" the period comprising the three financial years ended 31 March 2018 "Underwriters" the Public Offer Underwriters and the Placing Underwriters "Underwriting Agreements" the Public Offer Underwriting Agreement and the Placing Underwriting Agreement "United States" or "U.S." the United States of America "U.S. dollars" or "US\$" United States dollars, the lawful currency of the United States "WBDB" Works Branch of the Development Bureau (發展局工務科) of the Government "WHITE Application Form(s)" the application form(s) for use by the public who require(s) such

Public Offer Shares to be issued in the applicants' own name

"WSD" Water Supplies Department of the Government

"YELLOW Application Form(s)" the application form(s) for use by the public who require(s) such

Public Offer Shares to be deposited directly into CCASS

"%" per cent

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

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms

"anti-skid dressing" surface coatings designed to reduce braking distances and skidding in emergency or wet conditions "asphalt" a black viscous liquid or semi-solid obtained naturally from deposits or as a residue from petroleum distillation and used for road or pavement surfacing as glue for aggregates "bills of quantities" a list of items giving brief identifying descriptions and the quantities measured in accordance with this document in respect of the works to be performed. The main functions of the bills of quantities are (a) to allow a comparison of tender prices of tenders obtained from tenderers; and (b) to provide a means of valuing the works executed when the contract has been entered into "CAGR" compound annual growth rate, a method of assessing the average growth of a value over time "crash cushion" a device intended to reduce the damage to structures, vehicles, and motorists resulting from a motor vehicle collision "excavator" an excavator is a heavy construction equipment consisting of a boom, arm, bucket and cab on a rotating platform. The rotating platform sits atop an undercarriage with tracks or wheels "expansion joints" an assembly designed to relief stress on building materials caused by building movement induced by thermal expansion and contraction, earthquake and load deflection "formwork" a mould including all supporting structures, used to shape and support the concrete until it attains sufficient strength to carry its own weight. Timber, plywood and aluminium are the major materials commonly applied to formwork works in the construction industry in Hong Kong "GDP" gross domestic product "generator" a generator provides backup electrical power at the works sites "grinding machine" a grinding machine uses an abrasive wheel as cutting tool to remove the surface layer of roads

GLOSSARY OF TECHNICAL TERMS

"high pressure water jet unit" a high pressure water jet unit makes use of high pressure water spray to remove loose paint, mould, dust, mud and dirt from surfaces of objects "high speed road" an expressway or a trunk road connecting to expressways designated to carry large volumes of free flowing traffic and provide strategic links between major population centres "ISO" an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations "ISO 9001" quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing "main contractor" a contractor, appointed by the project employer, who is generally responsible for the administration and overall supervision of all the construction works involved in the construction project and delegate specific work tasks of the construction to different subcontractors "noise enclosures" noise enclosures, either full or partial are designed to serve both acoustic and aesthetic purposes and provided appropriate protection against noise sensitive recipients "piling" any works in connection with or for the forming of a pile in the ground by hammering, screwing, boring vibrating, casting or any other means, and also involves the driving of any casing (whether permanent or temporary) into the ground for the purposes of constructing a foundation "road compactor" a road compactor is used to compact soil or gravel in the construction of roads "schedule of rates" a set of general regulations and special conditions governing the execution of works and payment for works performed "site formation" the process of preparing a piece of land in order to accommodate buildings or other facilities which will be placed within the area. Site formation works include forming the land to the required orientation, shape or levels and providing the required back-up

facilities

GLOSSARY OF TECHNICAL TERMS

"steel parapet" a safety barrier that is installed on the edge of a bridge, carriageway

and walkpath retaining wall or similar structure

"steel reinforcement bar" steel bars or mesh of steel wires used as a tension device in

reinforced concrete and reinforced masonry structures to strengthen

and hold the concrete in compression

"steel roof cladding" a steel layer that is installed on the roof of a bridge, carriageway,

walkpath or similar structure

"street furniture" a collective term for objects and pieces of equipment installed

along streets and roads for various purposes

"subcontractor" a contractor who is appointed by the main contractor or another

subcontractor and generally responsible for specific delegated

works in a project

"sq. ft." square feet

"sq. m." square metres

"viaduct" a bridge composed of several small spans of arch bridge structures

that carries a road or a railway forming a flyover

"welding machine" a welding machine makes use of high current electricity to cause

heat to melt and stick pieces of metal together

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements including, without limitation, words and expressions such as "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" or similar words or statements, in particular, in the sections "Business", "Risk Factors", "Industry Overview", "Future Plans and Use of Proceeds" and "Financial Information" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and the various measures to implement such strategies;
- our dividend policy;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- the prospective financial information;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- our projects under planning;
- the amount and nature of, and potential for, future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

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

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

There are certain risks relating to an investment in the Shares. These risk can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the Share Offer; and (iv) risks relating to this prospectus.

RISKS RELATING TO OUR BUSINESS

We rely on public sector projects which by their nature are only awarded by a limited number of customers who are normally main contractors of the Government projects

We have relied and will focus on public sector projects which by their nature are only awarded by a limited number of customers who are normally main contractors of various Government departments. During the Track Record Period, all of our revenue were attributable to public sector projects. Our results of operations will continue to rely on the followings: (i) our ability to continue to secure public sector projects from our customers; (ii) Government's expenditure in civil engineering works; and (iii) other factors that generally affect the Hong Kong civil engineering industry. Any material delay, suspension, termination or reduction of number or contract value of public sector projects may adversely affect our revenue, hence our results of operations.

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our five largest customers' revenue contribution for the three years ended 31 March 2018 accounted for approximately 96.4%, 98.8% and 87.6% of our revenue of the same period, respectively while our largest customer for the same period, namely Customer A, Customer A and Customer I, accounted for approximately 46.0%, 41.7% and 20.7% of our revenue respectively for the three years ended 31 March 2018. Most of the repair and maintenance contracts we entered into with our major customers are term contracts that generally last for four to six years.

There is no guarantee that our customers will provide us with new business or that we will secure new customers. Our business and profitability may be materially and adversely affect by any material reduction in spending by the Government or various institutional bodies on public sector works and/or delay

in awarding contracts of such works by the Government. In addition, in the event that our major customers experience any liquidity problem, this may result in delay or default of payments to us, in which case our business, financial positions and prospects could be materially and adversely affected.

In the event that we are unable to renew our existing term contracts, any decrease in the number of our projects would affect our operations and financial results

All of our revenue during the Track Record Period was derived from providing repair and maintenance works and civil engineering construction works in Hong Kong, and our engagements with customers were on project bases in the form of term contracts or one-off contracts. After completion of the projects, our customers are not obliged to engage us again in subsequent projects.

We cannot assure you that our existing customers will renew our existing projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to consecutively secure existing term contracts or new contracts from our customers, there may be a significant decrease in our revenue. Our operations and financial results would hence be adversely affected.

Our operations may be affected by adverse weather conditions and are subject to other construction risks

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

We operate in a relatively competitive environment

The roads and highways management and maintenance industry in Hong Kong has many participants and is competitive. Some of the major market players have significantly more resources and are more well-positioned than us, including having longer operating history, better financing capabilities and well-developed technical expertise. In 2017, the top five main contractors engaged in the repair and maintenance works accounted for approximately 39.0% of total revenue generated from roads and highways repair and maintenance works, while the other contractors take up the remaining 61.0% of the market. The Company recorded about HK\$75.2 million of revenue for the year ended 31 March 2018, which was about 4.6% of the total estimated revenue generated from roads and highways management and maintenance industry. We consider that generally civil engineering companies operating in Hong Kong play the role of competitors as

well as business partners in our civil engineering business as occasionally joint ventures will be formed among market players to undertake civil engineering projects. New participants may wish to enter the industry provided that they have the appropriate skills, local experience, necessary machinery and equipment, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

We may not be able to bill and receive the full amounts due from customers for contract work

We recognise contract revenue based on the percentage of completion method whereby progress billings take place when the construction works performed by our Group are certified by the relevant customers and/or surveyors engaged by the customers. Amounts due from customers for contract work arise when completion reports has not yet been certified as at a financial year end date in respect of the construction works performed by our Group during that financial year. Our Group recorded amounts due from customers for contract work of approximately HK\$5.1 million, HK\$2.1 million and HK3.6 million as at 31 March 2016, 2017 and 2018, respectively. As at 31 July 2018, approximately HK\$3.4 million or 93.4% of amount due from customers for contract works as at 31 March 2018 were subsequently certified and settled by our customers. Please refer to the section headed "Financial information – Amount due from customers for contract work" in this prospectus for further details. There is no assurance that we will be able to bill and receive the full amounts of amounts due from our customers for contract work as we may not be able to reach an agreement with the customers on the value of our work done. If we are not able to do so, our results of operation, liquidity and financial position may be adversely affected.

The amount of revenue that we are able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders

The aggregate amount of revenue that we are able to derive from a project may be different from year to year for our original contract sum specified in the relevant contract for the civil engineering construction project due to factors such as variation orders (including addition, modification or cancellation of certain contract works) received from our customers or the relevant Government departments from time to time during the course of project execution. As such, there is no assurance that the amount of revenue derived from our projects on hand will not be fluctuating from year to year substantially different from the original contract sum as specified in the relevant civil engineering construction contracts.

During the Track Record Period, only one of our civil engineering construction projects (Project B2) experienced a reduction in the contract sum. The contract sum was reduced by HK\$9.2 million from the original amount of HK\$31.3 million. It was primarily due to modifications and variation of works such as cancellation of preliminary works (for instance, erection of metallic site hoarding), reduction in required quantity as compared to the estimated quantity in the contract and adjustment for price fluctuation.

As at the Latest Practicable Date, we had two ongoing civil engineering construction projects. Due to the reasons mentioned above, there is no assurance that the actual amount of revenue to be recognised from our projects on hand will not be fluctuating or substantially different from the original contract sum as specified in the relevant contracts. Furthermore, the variation orders may be placed by our customers including but not limited to (i) additions, substitutions, alternations, changes in quality and types of works; (ii) changes to the method or timing of works specified in the original contract, which may differ in nature,

complexity and time schedule. Therefore, the profit margin derived from the variation orders may vary. Our financial condition may be adversely affected by any decrease in our revenue and gross profit margin as a result of variation orders.

We are exposed to our customers' credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full

We usually grant our customers a credit period of 30 to 45 days from the date of issue of our invoices. However, there can be no assurance that our customers will settle our invoices on time and in full. Our customers usually have the right to withhold 3% to 10% of the interim payment for repair and maintenance projects and up to 5% of the contract sum due to us for civil engineering construction projects as retention money. There can be no assurance that such retention money will be released by our customers to us on a timely basis and in full upon job completion or within the specified period after completion.

As at 31 March 2016, 2017 and 2018, we recorded total trade and other receivables of approximately HK\$14.1 million, HK\$28.0 million and HK\$50.1 million, respectively. For the three years ended 31 March 2018, our debtors' turnover days of the trade receivables were 61.4 days, 85.4 days and 122.3 days, respectively. Historically, we experienced a low subsequent settlement of our trade receivables due to the prolonged delay in settlement by the ultimate customers, i.e. the relevant Government departments, during the Track Record Period. As at 31 July 2018, approximately HK\$18.6 million out of approximately HK\$37.7 million trade receivables balance has been settled representing approximately 49.3% of total trade receivables balance as at 31 March 2018. In the event that there is delay or default in settlement of trade receivables or any of our major customers experience liquidity or working capital problem, it may result in difficulty in collecting a substantial portion of our trade receivables, and it could materially and adversely affect our cash flows and financial positions.

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

Our projects are normally awarded through tendering process. For repair and maintenance projects, our tender is prepared based on a schedule of rate. For civil engineering construction projects, we determine our tender price by estimating the construction costs and the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by us contain no mistake and/or error. Such mistakes and/or errors may be in the form of inaccurate estimation, oversight of important tender terms, inadvertent typographical errors, errors in calculations etc. In case of mistakes or errors, we may be bound by the contract to undertake the project at a substantial loss.

Inaccurate estimation on schedule of rate, project costs and technical difficulties of the projects in the tendering process may result in cost overruns when we execute the awarded project. Many factors may affect the time taken and the costs involved in completing the projects undertaken by us. For instance, shortage and cost escalation of labour, machinery and materials, difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers, stringent technical construction requirements, threatened claims and material disputes with customers and subcontractors, accidents, and changes in the Government's policies. Other unforeseen problems or circumstances may also

occur during project implementation. If any of such factors arises and remains unresolved, completion of works may be delayed or we may be subject to cost overruns or customers may even unilaterally terminate the contract.

In general, our contracts or works orders contain specific completion schedule requirements, and liquidated damages provisions (i.e. we may be liable to pay our customer liquidated damages if we do not meet the schedules) may be included in our contracts. Liquidated damages are typically levied at an agreed rate for each day of delay that is due to our default. Any failure to meet the schedule requirements of our contracts or works orders could cause us to pay significant liquidated damages, which would reduce or eliminate our profit expected from the relevant contracts.

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

We rely on subcontractors to help complete our projects works, and their performance will affect us

In line with the usual practice of the civil engineering industry in Hong Kong, we do not maintain a large workforce of skilled labour in different specialised areas and semi-skilled labour. To maintain our cost efficiency and flexibility, and to utilise the expertise of other properly qualified specialist contractors, we engage third party subcontractors to perform a portion of works under our contracts. For the three years ended 31 March 2018, our total subcontracting fees amounted to approximately HK\$24.5 million, HK\$31.5 million and HK\$27.2 million respectively, representing approximately 65.2%, 61.9% and 41.2% of the total cost of sales. During the relevant period, our five largest subcontractors accounted for approximately 91.3%, 84.9% and 64.2% of our total subcontracting charges, respectively.

If we are not able to monitor the performance of these subcontractors as directly and efficiently as with our own staff, our business and results of operation may be materially adversely affected. In addition, if we are not able to hire qualified subcontractors, our ability to complete a project successfully may be hindered.

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

Our subcontractors may be exposed to charges in relation to violation of safety, environmental and/or employment laws and regulations which may affect their renewal of relevant licence or may even lead to revocation of their licences. If this happens in our projects, we will have to appoint another subcontractor(s) for replacement and thus additional costs may be incurred. Moreover, if our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may be subject to prosecutions as primary defendant by relevant authorities.

Shortage of labour may affect our projects and our performance

Generally, our repair and maintenance works and civil engineering construction works are labour intensive. For the three years ended 31 March 2018, our project labour cost amounted to approximately HK\$4.9 million, HK\$5.8 million and HK\$12.9 million, respectively, representing approximately 13.0%, 11.4% and 19.6% of our total cost of sales. For any given project, a large number of workers with different skills may be required. There is no assurance that the supply of labour and average labour costs will be sufficient when several projects are ongoing. All labour intensive projects are more susceptible to labour shortage, and our subcontracting costs including labour costs of our subcontractors may escalate. If there is a significant increase in the costs of labour and we have to retain our labour (likewise our subcontractors retain their labour) by increasing their wages, our staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on time resulting in liquidated damages and/or financial loss.

Our business is susceptible to seasonal fluctuations

Our business may be impacted by seasonality during rain and typhoon seasons. Generally, we have a lower percentage of completion of works from April to September leading to a lower revenue recognised. For further details, please refer to the paragraph headed "Business – Our business model and operation – Seasonality" in this prospectus. If we cannot balance out our work schedule and certify our works during our low seasons, our results of operations may be adversely affected.

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

In the course of our operations, we require our employees to adhere to and implement all the safety measures and procedures as stipulated in our safety manual. For details, please refer to the section headed "Business – Occupational Health and Safety" in this prospectus. We monitor and supervise our employees in the implementation of all such safety measures and procedures during execution of works. However, we cannot guarantee that our employees or those of our subcontractors will not violate applicable rules, laws or regulations. If any such employees fail to implement safety measures at our construction sites, personal injuries, property damage or fatal accidents may occur in greater number and/or to a serious extent. These may adversely affect our financial position to the extent not fully recoverable from our insurance policies. They may also cause our relevant qualifications or licences to be suspended or not renewed.

During the Track Record Period, there was a personal injury claim by one of our ex-employees against us in respect of an accident (falling into a pit) which happened before the Track Record Period. The ex-employee claimed to suffer from bilateral shoulder pain. The case was settled by the payment of a sum of

HK\$280,000 to the employee in May 2016 which was fully covered by insurance. There was another personal injury case involving one of our existing employees in December 2017 in respect of an accident (falling off from a lorry crane). The employee claimed to suffer from left chest injury with rib fracture, and as far as the Directors are aware, he is receiving outpatient treatment and medication. The case has been reported to the main contractor's insurer with the prescribed time limit. However, the compensation has not yet been determined. The Directors expect the case to be fully covered by insurance and there will be no material adverse impact caused to us as a result of the accident. Other than the above, there were no reported work injuries of our employees during the Track Record Period and as at the Latest Practicable Date.

Furthermore, public project tenders are generally evaluated by taking into account a number of factors, which includes the contractor's compliance records with the relevant laws and regulations. We may also be subject to inspections by the relevant Government departments (e.g. Labour Department) from time to time. Sometimes, we may not be aware of such inspections being conducted. These inspections may lead to formal charge(s) against us. Non-compliance and conviction records may affect our chance of winning future bids.

We depend on our suppliers for construction materials and supplies, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price

We rely on our suppliers for stable and timely delivery of construction materials and supplies which should meet our customers' specifications or enable our machinery to operate. For the three years ended 31 March 2018, we incurred approximately HK\$1.5 million, HK\$1.5 million and HK\$11.9 million material costs, respectively, representing approximately 4.0%, 2.8% and 18.0% of our total cost of sales, respectively. If there is any shortage of such materials or supplies, or material delay in delivery by our suppliers, or the delivered materials fail to comply with our customers' specifications, such as the strength requirement, we may fail to complete our projects on time or at all. There is no guarantee that we would be able to identify suitable alternative sources of supply with acceptable quality and price. Further, even if we could do so, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our reputation, business operations and financial results may be adversely affected. If there is any deterioration in the quality of construction materials and supplies from our suppliers, and we are unable to detect the defective materials or identify suitable alternative sources, the progress and quality of our works could be materially and adversely affected, thereby damaging our reputation and adversely affecting our financial results. The average wholesale price of cement increased from approximately HK\$690.3 in 2012 to approximately HK\$699.9 in 2017, at a CAGR of approximately 0.3%. The average wholesale price of emulsion paint increased from HK\$47.8 per litre in 2012 to HK\$53.0 per litre in 2017, representing a CAGR of approximately 2.1%, while the average wholesale price of acrylic paint remained relatively stable at a CAGR of approximately 0.7%, with HK\$48.4 per litre in 2012 and HK\$50.0 per litre in 2017. For details on the material costs trends, please refer to the section headed "Industry Overview – The roads and highways management and maintenance industry in Hong Kong - Price trend of the major cost" in this prospectus.

We depend on key management personnel and we may not be able to retain their services

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors are important to us. We rely on the experience and knowledge of our Director and senior management. For example, Mr. Ha, our Chairman and executive Director has over 16 years of experience in the roads and highways management and maintenance industry and Mr. Ip, our Chief Executive Officer and executive Director has over 23 years experience in the civil engineering industry. Each of them, together with other members of our senior management, are important to our development. For detailed background of our directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus. If any of these executive Directors cease to be involved in our management in the future and we are unable to find suitable replacements in a timely manner, there could be an adverse impact on our business, results of operation and profitability.

We may be involved in construction disputes, legal and other proceedings arising from our operations from time to time and may face significant legal liabilities as a result

We may be involved in disputes with our employees, customers, suppliers, subcontractors and other project parties from time to time in respect of various matters, including delay in completion of works, dispute in the quantities and value of works done, claims for variation works or work instructions, personal injury claims, complaints about the quality of completed works and damages to machinery and equipment arising from daily operation.

Further, disputes may arise between us and our customers as to the value of works properly done in a particular period, and the progress payment that we are entitled to in the relevant period. In some projects, the contracts may include variation clauses which empower our customers to give instructions to vary the contract works which we are generally obliged to follow. The value of such variations is usually firstly ascertained by reference to the rates and prices specified in the subcontracts for the like or analogous works. If no rates and prices are specified, or if they are not applicable, the variations should be valued at rates agreed between our customers and us. In the event that we fail to reach an agreement, the rates shall be fixed by our customers at a reasonable and proper price in their opinion. If we and our customers take different views on the valuation results, contractual disputes with our customers may arise.

There is no assurance that we may be able to resolve every instance of dispute by way of negotiation and/or mediation with relevant parties. If we fail to do so, it may lead to legal and other proceedings, and consequently we may have to incur huge expenditures in such actions. If we fail to obtain favourable outcomes in such proceedings, we may be liable to pay significant amount of damages which may adversely affect our operations and financial results.

RISKS RELATING TO OUR INDUSTRY

The Government's budget and funding for civil engineering projects may be adversely affected by lawmakers' filibustering in the Legislative Council

All our revenue during the Track Record Period was derived from public sector projects. However, in recent years, filibustering by Hong Kong lawmakers has in certain cases led to the failure of or delay in the funding approval for certain Government projects by the committees of the Legislative Council. Therefore, there is a risk that the Government's budget and funding for civil engineering projects (and/or for infrastructure or other public projects) may be delayed, reduced or otherwise adversely affected as a result of lawmakers' filibustering in the Legislative Council. As our payment application for completed works is subject to our customers' payment application to the relevant Government departments, any delay or reduction in the Government's budget and funding may affect the timeliness of the settlement of our charge for completed works. In addition, there is also a risk that after being awarded with a Government contract, the commencement date may be delayed and the scope of works may be reduced, or otherwise adversely affected as a result of lawmakers' filibustering in the Legislative Council. In such cases, our business and financial position and prospect could be materially and adversely affected.

Our performance for civil engineering construction works depends on market conditions and trends in the civil engineering industry and in the overall economy

All our businesses and operations have been and will continue to be located in Hong Kong. The future growth and level of profitability of the civil engineering industry in Hong Kong depend primarily upon the continued availability of large construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors. These factors include, in particular, the Government's spending patterns on the construction industry in Hong Kong and its land supply and public housing and public facilities policies, speed of approval of the relevant budgets and/or projects, the investment of property developers and the general conditions and prospects of the Hong Kong economy. They may affect the availability of construction projects from the public sector or institutional bodies. Apart from the public spending of the Government, other factors also affect the construction industry. These other factors include cyclical trends in the economy as a whole and fluctuations in interest rates. If there is any recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for construction works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

We are subject to environmental liability

Our business is subject to the environmental regulations and guidelines issued by the Government, which apply to the operation of all construction projects in Hong Kong. Such regulations and guidelines may be amended by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines could result in additional expenditure that we may incur to comply with such revised requirements. Any non-compliance may lead to fines and/or suspension of works.

Changes in existing laws, regulations and Government policies may cause us to incur substantial additional expenditure

Many aspects of our business operation are governed by various laws and regulations and government policies in Hong Kong. The requirements in respect of the granting and/or renewal of various licenses and qualifications in the civil engineering industry may change from time to time and there is no assurance that we will be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. For example, if there are any changes to and/or imposition of the requirements for qualification in the construction industry in relation to environmental protection and labour safety, and we fail to meet the new requirements in a timely manner or at all, our business operation will be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

Our financial results are expected to be affected by the expenses in relation to the Share Offer

Our financial results will be affected by the expenses in relation to the Share Offer. The total estimated listing expenses in connection with the Share Offer are approximately HK\$23.0 (based on the mid-point of the Offer Price of HK\$0.475 per Offer Share and assuming Offer Size Adjustment Option is not exercised), of which approximately HK\$nil, HK\$nil and HK\$8.7 million has been charged to our consolidated income statement for the three years ended 31 March 2018, respectively, and approximately 7.1 million is expected to be charged to our consolidated income statement for the completion of the Share Offer and approximately 7.2 million is expected to be accounted for as deferred expenses and charged against equity upon the Listing under the relevant accounting standards. Therefore, our financial results for the year ending 31 March 2019 will be affected by the expenses in relation to the Share Offer.

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

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

Investor may experience dilution if we issue additional Shares in the future

We may issue additional Shares upon exercise of the options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

There is no guarantee that our Controlling Shareholders or the Pre-IPO Investor 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, of any future sales of the Shares by any of our Controlling Shareholders or the Pre-IPO Investor, or that the availability of the Shares offered by any of the Controlling Shareholders or the Pre-IPO Investor for purchase may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the Pre-IPO Investor or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THIS PROSPECTUS

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

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this prospectus relating to the industry in which our operation have been derived, in part, from various publications and industry-related sources prepared by government officials. We believe that the sources of the information or statistics prepared by government officials are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, we have no reason to believe that such information and statistics are false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors and the Sole Sponsor, their respective affiliates or advisers nor any parties involved in the Share Offer (other than Ipsos) have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "**Professional Parties**") involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any of the Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom.

Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Offer Shares. You should rely only on the information contained in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

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

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer and the Listing of the Offer Shares, which is sponsored by the Sole Sponsor. The Public Offer Shares are fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Shares will be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement subject to the Offer Price being fixed by Price Determination Agreement. For further information about the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

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 Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on the offer of the Offer Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit an offer or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The 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 any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

No invitation may be made directly or indirectly by or on behalf of our Company to the public in the Cayman Islands to subscribe for or acquire any of the Offer Shares. The Share Offer is made solely on the basis of the information contained and 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 relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner and the Joint Lead Managers, and any of their respective directors or affiliates of any of them or any other person and party involved in the Share Offer. The contents as shown in the website of our Company of www.grandtalentsgroup.com.hk do not form part of this prospectus.

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

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 as mentioned in this prospectus. No part of the Share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void. The Shares are freely transferable. 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. A total of 120,000,000 Offer Shares for subscription, which represent 25.0% of the Company's enlarged issued share capital will be in the hands of the public immediately following the completion of the Share Offer and the Capitalisation Issue and upon Listing (assuming the options that may be granted under the Share Option Scheme and the Offer Size Adjustment Option are not exercised).

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the "minimum prescribed percentage" of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on our Company's branch register of members to be maintained in Hong Kong by our Company's branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by the Company's principal share registrar and transfer office in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to the Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained in the Cayman Islands will not be subject to the Cayman Islands stamp duty except where our Company holds interests in land in the Cayman Islands.

Unless determined otherwise by our Company, dividends in respect of Shares will be paid to the Shareholders by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

LANGUAGE

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version 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

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name Residential Address Nationality

Executive Directors

Mr. Ha Chak Hung Land Lot No. 1A Chinese

(夏澤虹) Sha Po Tsuen Yuen Long New Territories

Hong Kong

Mr. Ip Chu Shing Flat A, 26/F Chinese

(葉柱成) Cannon Garden 62-68 Kings Road

Fortress Hill Hong Kong

Non-executive Director

Mr. Lau Yik Lok Suite 1109 Chinese

(劉亦樂) The Apex Horizon 33 Wo Yi Hop Road

33 Wo Yi Hop Road Kwai Chung

New Territories
Hong Kong

Independent non-executive Directors

Ms. Tang Shui Man Flat D, 6th Floor Chinese

(鄧瑞文) Block 2

25 Town Park Road South

Scenic Gardens Yuen Long New Territories Hong Kong

Dr. Fok Wai Sun Flat A, 8th Floor Chinese

(霍惠新) Louver Mansion

9 Luen On Street

Fanling

New Territories Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential Address	Nationality			
Mr. Yuk Kai Yao	Flat E, 27th Floor	Chinese			
(郁繼燿)	Block 2				
	8 Hoi Fai Road				
	The Long Beach				
	Tai Kok Tsui				
	Kowloon				
	Hong Kong				

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

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor Pulsar Capital Limited

Unit 318, 3/F, Shui On Centre, 6 – 8 Harbour Road,

Wanchai, Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance)

regulated activities under the SFO)

Sole Bookrunner & Joint Lead Manager Sun International Securities Limited

Unit 2412-13, 24/F, China Merchants Tower,

Shun Tak Centre,

168-200 Connaught Road Central,

Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO)

Joint Lead Manager Elstone Securities Limited

Suite 3712, 37/F,

West Tower, Shun Tak Centre, 168-200 Connaught Road Central,

Hong Kong

(A licensed corporation for carrying on type 1

(dealing in securities) regulated activity under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law:

CFN Lawyers in association with Broad & Bright

Units 4101 – 4104, 41st Floor

Sun Hung Kai Centre 30 Harbour Road

Wan Chai Hong Kong

(Solicitors of Hong Kong SAR)

As to Cayman Islands law:

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2206 - 19 Jardine House

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Central Hong Kong

(Cayman Islands attorneys-at-law)

Legal Counsel

Mr. Yuen Siu Kei

12/F, Fung House,

19-20 Connaught Road Central,

Hong Kong

Legal advisers to the Sole Sponsor and

the Underwriters

As to Hong Kong law:

Khoo & Co.

2/F, 5/F & 16/F

Tern Centre Tower 2 251 Queen's Road Central

Hong Kong

(Solicitors of Hong Kong SAR)

Reporting accountants and auditors

Deloitte Touche Tohmatsu

36th Floor, One Pacific Place

88 Queensway Hong Kong

(Certified Public Accountants)

Market research consultant

Ipsos Limited

22nd Floor, Leighton Centre

77 Leighton Road Causeway Bay Hong Kong

Receiving bank

Bank of Communications Co., Ltd.

Hong Kong Branch

20 Pedder Street, Central

Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Island P.O. Box 1350

Clifton House 75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

Principal place of business in Hong

Kong

Room 2505, 25th Floor

Billion Plaza, 8 Cheung Yue Street

Cheung Sha Wan, Kowloon

Hong Kong

Company secretary

Ms. Ho Siu Pik (何小碧)

Level 54, Hopewell Centre 183 Queen's Road East

Hong Kong (HKICS, ICSA)

Authorised representatives Mr. Ha Chak Hung (夏澤虹)

Land Lot No. 1A Sha Po Tsuen Yuen Long New Territories Hong Kong

Ms. Ho Siu Pik (何小碧) Level 54, Hopewell Centre 183 Queen's Road East

Hong Kong

Compliance officer Mr. Ha Chak Hung (夏澤虹)

Audit Committee Ms. Tang Shui Man (鄧瑞文) (Chairman)

Dr. Fok Wai Sun (霍惠新) Mr. Yuk Kai Yao (郁繼燿)

Remuneration Committee Dr. Fok Wai Sun (霍惠新) (Chairman)

Ms. Tang Shui Man (鄧瑞文) Mr. Yuk Kai Yao (郁繼燿) Mr. Ha Chak Hung (夏澤虹)

Nomination Committee Mr. Yuk Kai Yao (郁繼燿) (Chairman)

Ms. Tang Shui Man (鄧瑞文) Dr. Fok Wai Sun (霍惠新) Mr. Ha Chak Hung (夏澤虹)

CORPORATE INFORMATION

Compliance adviser Pulsar Capital Limited

Unit 318, 3/F Shui On Centre 6 – 8 Harbour Road

Wanchai, Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance)

regulated activities under the SFO)

Principal share registrar and transfer office in the Cayman Islands

Estera Trust (Cayman) Limited

Clifton House 75 Fort Street P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited

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183 Queen's Road East

Hong Kong

Principal banker

Fubon Bank (Hong Kong) Limited

Fubon Bank Building

38 Des Voeux Road Central

Central Hong Kong

Company's website address

www.grandtalentsgroup.com.hk

(the information contained in this website does not form part

of this prospectus)

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

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

We commissioned Ipsos Business Consulting to conduct an analysis of, and to report on the roads and highways management and maintenance industry in Hong Kong at a fee of HK\$388,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,600 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos Business Consulting, a division of Ipsos, has solid experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

Research methodology

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

Assumptions and parameters used in the Ipsos Report

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

- It is assumed that the global economy remains in steady growth across the period from 2018 to 2022.
- The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the roads and highways management and maintenance industry in Hong Kong from 2018 to 2022.

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

- The gross output value of civil engineering works performed by main contractors at constructions sites in Hong Kong from 2012 to 2017.
- Total area of roads maintained in Hong Kong from 2012 to 2017.
- Revenue of the roads and highways management and maintenance industry in Hong Kong from 2012 to 2017 and forecast from 2018 to 2022.
- Government expenditure related to the roads and highways management and maintenance industry in Hong Kong from 2012 to 2017.

- Average daily vehicle kilometre in Hong Kong from 2012 to 2016.
- Historical price trends of raw materials relating to the roads and highways management and maintenance industry in Hong Kong from 2012 to 2017.

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section. Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

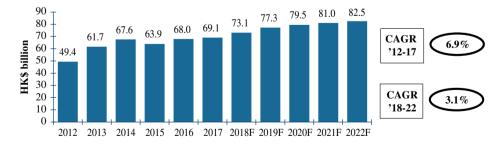
MARKET OVERVIEW OF THE CIVIL ENGINEERING WORKS IN HONG KONG

According to the CIC, civil engineering works include railways, roads, highways, bridges, airport, port works, water works, drainage, reclamation, excavation works, site formation, rest gardens, open spaces, sport grounds, other urban services facilities, service stations and plant and other related construction project. The gross output value of the civil engineering sector in Hong Kong increased from around HK\$49.4 billion in 2012 to around HK\$69.1 billion in 2017, at a CAGR of around 6.9%. The gross output value relies significantly on public works. Political uncertainty also has a direct impact on the financing of public works related projects in Hong Kong. Between 2012 and 2016, the ongoing filibuster has delayed the approval of financing for many of the major civil engineering projects in Hong Kong, resulting in slow growth rate in the gross output value of civil engineering works industry. Such growth was mainly attributable to completed civil engineering projects such as "Kai Tak Development - Stage 1 advance infrastructure works/Kai Tak approach channel" and "Kwun Tong typhoon shelter improvement works (Phase 1)/Site formation for Kai Tak Cruise Terminal Development" and "Dredging of the sea-bed of the Kwai Tsing Container Basin" projects.

It is expected that the gross output value of the civil engineering sector in Hong Kong will increase from around HK\$73.1 billion in 2018 to around HK\$82.5 billion in 2022, at a CAGR of approximately 3.1%. Civil engineering projects which were delayed due to previous filibustering activities are expected to commence in or after 2018, leading to an increase in the estimated gross output value from 2018 to 2022. Despite the slight increase of the gross output value of the civil engineering works industry in Hong Kong from 2018 to 2022, the contribution of construction works to the gross output of the civil engineering works industry is expected to remain stable during the said period. The construction projects mainly consist of Government's initiatives related to ongoing and under-planning infrastructure projects involving marine construction works. These projects include, but not limited to, "Tseung Kwan O — Lam Tin Tunnel", 3RS Project, "Sunny Bay Reclamation, North-East Lantau Island", and "Siu Ho Wan (SHW) Reclamation and Landside Development, North Lantau".

The graph below sets forth the gross output value of overall civil engineering works performed in Hong Kong.

Gross Output Value of Civil Engineering Works Industry in Hong Kong from 2012 to 2022F



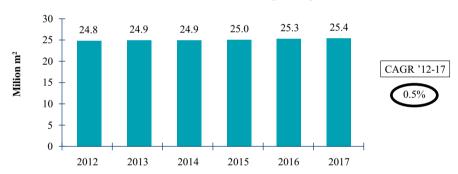
Note: Data refers to gross value of building construction works in nominal terms performed by main contractors and subcontractors at construction sites

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

THE ROADS AND HIGHWAYS MANAGEMENT AND MAINTENANCE INDUSTRY IN HONG KONG

The city road network plays important roles to connect various regions in Hong Kong. As of 2016, Hong Kong's road network consisted of about 2,107 kilometres of roads, 1340 flyovers and bridges, 1,222 footbridges and subways and 15 major tunnels. The roads and highways maintenance service is mainly provided by Highways Department. Repair and maintenance works refer to routine inspection, refurbishment, alteration and addition of road networks and highway structure, which are often provided by Highways Department. Since 2004, Highways Department has introduced the Management and Maintenance ("M&M") provisions of road network maintenance project. These provisions mainly include road inspections and subsequent arrangement of contractors' repair works. As of 2017, there are eight ongoing term maintenance contracts for roads and highways, including two high speed roads maintenance contracts, i.e. (i) New Territories West and Kowloon, and Roads in Hong Kong Port Area; and (ii) New Territories East and Hong Kong Island, and six road maintenance contracts excluding high speed roads, i.e. (i) Hong Kong Island; (ii) Kowloon West; (iii) Kowloon East; (iv) Sha Tin, Sai Kung and Islands Districts; (v) Tai Po and North Districts; and (vi) New Territories West.

The graph below sets forth the total area of roads maintained in Hong Kong during the period from 2012 to 2017.



Total Area of Roads Maintained in Hong Kong from 2012 to 2017

Sources: The 2012-13 Budget, The 2013-14 Budget, The 2014-15 Budget, The 2015-16 Budget, The 2016-17 Budget, The 2017-18 Budget; The 2018-19 Budget HKSAR; Highways Department, HKSAR; Ipsos research and analysis

Total area of roads maintained in Hong Kong increased from 24.8 million m^2 in 2012 to 25.4 million m^2 in 2017, at a CAGR of approximately 0.5%. Given the gradual increase in road inventory from 2,090.0 km in 2012 to 2,107.0 km in 2016, at a CAGR of approximately 0.2%, total area of roads which require management and maintenance had also increased. With a stable financial provision on district and maintenance works each year, inspections and maintenance works were able to carry out subsequently at a management and maintenance cost ranging from HK\$54.9 per m^2 in 2012 to HK\$57.5 per m^2 in 2016, at a CAGR of approximately 1.2%, thus keep driving the roads and highways management and maintenance industry.

Major types of roads and highways maintenance works

For maintenance works, Highways Department oversees five major types of roads and highways maintenance works including road maintenance and improvement, structures maintenance, slope maintenance and improvement, street lighting and landscape enhancement and vegetation maintenance. Proper maintenance of these roads and structures, including the associated furniture and lighting system is indispensable for the efficient and safe operation of the road network.

Types of maintenance works I

Description

Road Maintenance and Improvement Works

It mainly consists of road inspection which aims to regularly identify roads defects for rectification, collect information for long-term road rehabilitation, and post-inspection maintenance and improvement works. The road network consisted of about 2,107 kilometres of public roads and over 4,000 highways structures, such as road tunnels, flyovers, and footbridges.

Structures Maintenance Works

With over 4,000 highways structures maintained by Highways Department, it mainly includes applying a protective coating to structure, replacement of expansion joint and parapet for structure intended to carry vehicles, and/or bicycles and pedestrians over, under or through a physical obstruction, which maybe a bridge, a flyover, a viaduct, an underpass or a subway, a footbridge, and a sign gantry.

Slope Maintenance and Improvement Works

With approximately 12,000 roadside slopes and retaining walls maintained by Highways Department, it mainly includes pruning of trees on slopes, repair of damaged drainage channels, slope improvement by the installation of soil nails and raking drains, and landscape beautification after slope improvement.

Street Lighting Works

There are approximately 145,000 public lights, 80,000 footbridge and tunnel lights, and 11,000 bollard lights under Highways Department's supervision. Highways Department is responsible for the maintenance work for these lamps to keep them functioning well and replace the high energy cost lamps with energy efficient one.

Landscape Enhancement and Vegetation Maintenance Works It mainly refers to greening on the footbridge, beautification of highways structures, thematic street nameplate, roadside tree planting, woodland management, and thematic paving and railing.

Value chain analysis

In the value chain of the roads and highways management and maintenance industry, the main contractor who is awarded the projects by Highways Department will be mainly responsible for the project implementation and management. It is common that main contractors may outsource parts of project works to capable sub-contractors.

Selected sub-contractors carry out the project execution, inspection, and relevant document preparation. On top of the routine maintenance works, sub-contractors will also carry out ad hoc maintenance works such as emergency roads and highways repair caused by reasons such as traffic accidents.

The diagram below sets forth the value chain of the roads and highways management and maintenance industry in Hong Kong.

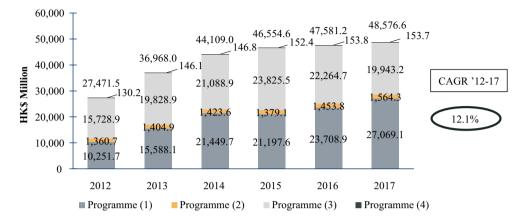


Source: Ipsos research and analysis

Government expenditure

The graph below sets forth the government expenditure of the roads and highways management and maintenance works in Hong Kong during the period from 2012 to 2017.

Government Total Expenditure on Hong Kong Highways Department from 2012 to 2017



Notes: (i) Government expenditure indicated above includes the actual expenditure of Programme (1)- expenditure on capital project under design and construction by in-house staff and by consultant; Programme (2)- expenditure on District and Maintenance Works; Programme (3)- expenditure on capital projects under design and construction entrusted to the railway corporation or other agencies and Programme (4)- expenditure on technical services relating to maintenance of road lights and vegetation maintenance for roadside slopes and expressways within the General Revenue Account published each year under the title of "Head 60: Highways Department";(ii) public walkways includes footbridges, elevated walkways and subways.

Source: 2012-13 Policy Address, HKSAR; The 2012-13 Budget, The 2013-14 Budget, The 2014-15 Budget, The 2015-16 Budget, The 2016-17 Budget, The 2017-18 Budget, The 2018-19 Budget; HKSAR; Highways Department, HKSAR; Transport and Housing Bureau, HKSAR; Ipsos research and analysis

Government total expenditure on Highways Department expanded significantly from HK\$27,471.5 million in 2012 to HK\$44,109.0 million in 2014, followed by a slowdown growth from HK\$44,109.0 million in 2014 to HK\$48,576.6 million in 2017, at a total CAGR of approximately 12.1%. With the aim to expand and improve the existing road network to accommodate the growing traffic demand in Hong Kong and across the boundary, there were significant increases in financial provision on several key road infrastructure projects and railway development strategy. For instance, the major construction works of the Central-Wan Chai Bypass and Island Eastern Corridor Link connecting the Rumsey Street Flyover at Central with the Island Eastern Corridor at North Point near City Garden were taken place during 2012 and 2014, as well as the 'Hong Kong Link Road' connecting the Main Bridge of the Hong Kong-Zhuhai-Macao Bridge and the Hong Kong Boundary Crossing Facilities were commenced in May 2012 with a target commission date by the end of 2017.

In addition, the retrofitting of barrier-free access facilities in public walkways under the policy of "Universal Accessibility Programme" has taken up a considerable sum of government expenditure. With over 250 suggested locations and public walkways within the admit of policy in August 2012, the Legislative Council Finance Committee has approved Highways Department's application on 11 January 2013, to create a new financial block allocation for better deployment of resources for the substantial provision of barrier-free access facilities such as lift installations for the elderly and persons with disabilities.

Average daily vehicle-kilometre in Hong Kong increased from 34.1 vehicle-million km in 2012 to 37.4 vehicle-million km in 2016, rising at a CAGR of approximately 2.3%. Continuous hiking in the average daily vehicle-kilometre in Hong Kong during 2012 and 2016 post a positive sign on the demand for management and maintenance works, whereas increase in level of usage implies a greater demand for management and maintenance works. With a greater increase in average daily vehicle-kilometre in Kowloon at a CAGR of approximately 2.4% and 2.7% in New Territories, demand for management and maintenance works in these regions will be robust.

Average Daily Vehicle-Kilometre in Hong Kong from 2012 to 2016 37 4 40 36.4 35.2 35.2 34.1 35 Vehicle - million km 30 25 20 15 10 8.1 5 0 2012 2013 2014 2015 2016 ■ Hong Kong ■ Kowloon ■ New Territories New **Hong Kong** Kowloon **Total** Territories **CAGR '12-16** 0.8% 2.4% 2.7% 2.3%

Note: 2017 data will be available in December 2018.

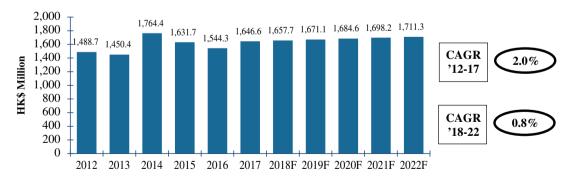
Sources: Highways Department, HKSAR; Transport Department, HKSAR; Ipsos research and analysis

To maintain the roadways networks in a serviceable condition, maintaining a steady Government expenditure, specifically expenditure on Programme 2, for regular roads and highways management and maintenance works, is utmost important and irreplaceable. According to the Controlling Officer's Report published by the Financial Services and the Treasury Bureau from 2012 to 2016, Highways Department's annual expenditure on district management and maintenance works are categorised into four major types of works, including (1) highways maintenance; (2) roadside slope works; (3) road reconstruction, re-habitation, resurfacing and joint placement works; and (4) road cleanliness and streetscape enhancement and greening of shotcrete slope.

Market size

The graph below sets forth the revenue of the roads and highways management and maintenance industry in Hong Kong during the period from 2012 to 2022F.

Revenue of the Roads and Highways Management and Maintenance Industry from 2012 to 2022F



Source: Ipsos research and analysis

The revenue of the roads and highways management and maintenance industry in Hong Kong increased from around HK\$1,488.7 million in 2012 to around HK\$1,646.6 million in 2017, at a CAGR of approximately 2.0%. The stable growth of the industry was mainly contributed by the sustainable capital allocation from the Government and consistent demand of repair and maintenance works of roads and highways. For instance, Highways Department regularly released roads and highways maintenance term contracts each year for different districts, as a means to keep the condition of roads and highways in Hong Kong healthy.

It is expected that the revenue of roads and highways management and maintenance industry in Hong Kong will increase from around HK\$1,657.7 million in 2018 to HK\$1,711.3 million in 2022, at a CAGR of approximately 0.8%. The management and maintenance (M&M) works are expected a stable growth from 2018 to 2022, as the Government will regularly issue different types of roads and highways maintenance projects, such as "Beautification of Highway Structures" project, "Management, Operation, Installation and Maintenance of Public Lighting System in Kowloon and New Territories East (2018-2022)", and other regular maintenance term contracts in each district, which will be one of growth drivers of the roads and highways management and maintenance industry in Hong Kong.

Price trend of the major costs

The major costs of the roads and highways management and maintenance industry in Hong Kong include labour cost and major raw material costs. The table below sets forth the raw materials used in the roads and highways management and maintenance industry in Hong Kong from 2012 to 2017.

	2012	2013	2014	2015	2016	2017	CAGR
Labour Cost – Average daily							
wage of workers (HK\$/day)	1,056.8	1,179.2	1,346.6	1,363.0	1,435.0	1,486.9	7.1%
Paint – Emulsion Paint (HK\$/	,	ŕ	,	,	,	,	
litre)	47.8	51.6	52.0	52.8	53.0	53.0	2.1%
Paint – Acrylic Paint (HK\$/litre)	48.4	48.7	49.0	49.8	50.8	50.0	0.7%
Steel Reinforcement – High							
Tensile Steel Bars (HK\$/							
tonne)	5,921.6	5,282.2	4,755.2	3,737.8	3,672.6	4,595.5	-4.9%
Steel Reinforcement - Mild							
Steel Round Bars (HK\$/tonne)	6,374.3	5,979.8	5,679.6	5,230.2	5,334.4	5,709.2	-2.2%
Portland Cement (HK\$/tonne)	690.3	698.5	720.4	739.2	714.7	699.9	0.3%
Diesel Fuel (HK\$/200-litre							
drum)	2,030.1	2,092.0	2,093.8	1,879.4	1,882.3	2,070.3	0.4%

Note:

Workers include general workers and labourers, concretors, bricklayers, drainlayers, masons, bar benders and fixers, carpenters, plumbers, plasterers, glaziers, painters and decorators, electrical fitters, plant & equipment operators (load shifting), truck drivers, rock-breaking drillers, bamboo scaffolders, structural steel erectors, divers, asphalters.

Sources: Census and Statistics Department, HKSAR; CIC, HKSAR; Ipsos research and analysis

Labour cost

The average daily wages of workers engaged in roads and highways management and maintenance works grew from HK\$1,056.8 in 2012 to HK\$1,486.9 in 2017, at a CAGR of approximately 7.1%. The continual increase of the daily wage of a worker in the roads and highways management and maintenance industry was driven by the excessive demand from the entire construction industry. The demand for workers in the industry remained robust in 2012 and 2017, both the ongoing and nearly completed mega infrastructural projects such as the Central- Wan Chai Bypass and Island Eastern Corridor Link have been driving up the demand for the direct labours in the industry.

Steel reinforcement bar

The average wholesale price of steel reinforcement bar decreased from approximately HK\$5,921.6 per tonne in 2012 to approximately HK\$4,595.5 per tonne in 2017, at a negative CAGR of approximately 4.9%. There has been a general downward trend of the wholesale price of steel reinforcement in Hong Kong, which was caused by the drop of the international price of iron ore for steel production and over-production of steel products.

Cement

The average wholesale price of cement increased from approximately HK\$690.3 in 2012 to approximately HK\$699.9 in 2017, at a CAGR of approximately 0.3%. The number of construction projects launched in Hong Kong has increased since 2012, which generated an increase in demand for cement and thus caused the average wholesale price of cement to rise.

Paint

The average wholesale price of emulsion paint increased from HK\$47.8 per litre in 2012 to HK\$53.0 per litre in 2017, representing a CAGR of approximately 2.1%, while the average wholesale price of acrylic paint remained relatively stable at a CAGR of approximately 0.7%, with HK\$48.4 per litre in 2012 and HK\$50.0 per litre in 2017. The gradual increase of the average wholesale price of paints during 2012 and 2017 was partially attributed to the demand for paint driven by Highways Department's routine management and maintenance works on roads, highways and public lighting system that have been commenced on a regular basis.

Diesel fuel

The average wholesale price of diesel fuel in Hong Kong slightly increased from HK\$2,030.1 per 200-liter drum in 2012 to HK\$2,070.3 per 200-liter drum in 2017, at a CAGR of about 0.4%. The average wholesale price of diesel fuel in Hong Kong was stable, mainly due to a steady supply of diesel fuel over the period.

COMPETITIVE LANDSCAPE OF THE ROADS AND HIGHWAYS MANAGEMENT AND MAINTENANCE INDUSTRY IN HONG KONG

Industry structure

The roads and highways management and maintenance industry of Hong Kong is competitive, with a large number of contractors active in the market. In 2017, the top five main contractors engaged in the repair and maintenance works accounted for approximately 39.0% of total revenue generated from roads and highways repair and maintenance works, while the other contractors take up the remaining 61.0% of the market. The competition of the roads and highways repair and maintenance industry is fierce. Key factors of competition normally refer to the ample capital preparation, good construction quality, qualified construction experts, professional management team, solid relationship with suppliers and customers, excellent construction safety control and new technology utilisation.

The Company recorded about HK\$75.2 million of revenue for the year ended 31 March 2018, which was about 4.6% of the total estimated revenue generated from roads and highways management and maintenance industry. The top five roads and highways management and maintenance main contractors including their estimated revenue and market share are as follows:

Rank	Company	Headquarter Location	Estimated Revenue in 2017 (HK\$ Million)	Share of Total Industry Revenue (%)
1 2 3 4 5	Company A Company B Company C Company D Company E Others	Beijing, China Hong Kong Hong Kong Hong Kong Hong Kong	197.8 143.3 138.5 94.7 68.5 1,003.9	12.0% 8.7% 8.4% 5.8% 4.2% 61.0%
	Total		1,646.6	100.0%

Note:

The above table only includes companies that provide roads and highways management and maintenance services in Hong Kong, while revenue figures refer to the total revenue generated by the roads and highways management and maintenance business in Hong Kong from the respective companies. Therefore, the revenue generated through the roads and highways management and maintenance business may be different from the total revenue disclosed in the respective companies' annual reports.

Sources: Ipsos research and analysis

Factors of competition

Solid track record in the roads and highways management and maintenance industry

With a strong focus on the quality of work within the roads and highways management and maintenance industry, contractors that are able to deliver a higher standard of work will be considered as more competitive. The roads and highways management and maintenance industry also has its focuses on the timeliness of the delivery and past performances. Contractors with capabilities in delivering quality work

in a timely manner will build a better portfolio of track records thus have a higher chance to be awarded projects. In general, the contractors with a well-established presence within the industry will receive more tender invitations from Highways Department.

Business relationship with industry stakeholders

A roads and highways management and maintenance contractor is considered competitive if it can maintain a stable business relationship with relevant Government bodies, main contractors, and raw material suppliers. The stable business relationship with the participants along the value chain can help increase the procurement flexibility and raise the chances of offering competitive prices to clients. For instance, roads and highways management and maintenance contractor with well-established historical cooperation relationship would have greater opportunities to receive tender invitations thus higher chance to win project tenders. Moreover, maintaining a long-term and stable relationship with raw material suppliers helps stabilise the source of materials and machinery, and reduces the probability of causing project delay. Contractors with well-established business relationships with participants along the value chain will have an edge during the contract tendering process.

MARKET DRIVERS AND OPPORTUNITIES

Roads and highways ageing and deterioration

Gradual deterioration of road surfaces and highway structures that draws government's attention, has remained a strong driver in the demand for routine roads and highways management repair and maintenance works. Defects such as potholes, damaged or missing joints, uneven paving blocks, broken ironware, etc. on roads and highways may cause imminent and immediate hazards to road users and pedestrians. Therefore, roads and highways maintenance term contracts are released successively by Highways Department to avoid any potential accidents. According to Transport Department Annual Road Traffic Accident Statistics, the total number of accidents on roads decreased from 15,894 in 2012 to 15,725 in 2017 at a negative CAGR of approximately 0.2%, while the number of road traffic accidents caused by steep slope surged from nine in 2012 to 56 in 2017 at a CAGR of approximately 44.1%. The increase in road traffic accidents signifies the need of consistent roads and highways maintenance works to be done, while the significant growth in the number of road traffic accidents caused by steep slope will attract the Government's attention on roadside slope maintenance.

Amplifying public concern on road safety

The increasing public awareness of roads conditions and safety will be another driver within the industry that keep motivating the roads and highways management and maintenance sector. According to the Controlling Officer's Report published by the Financial Services and the Treasury Bureau from 2012 to 2017, the number of complaints related to road maintenance increased from 7,992 in 2012 to 13,560 in 2017 at a CAGR of approximately 11.2%. Despite the fact that there is a general increase in total number of road traffic accidents and complaints, Highways Department and contractors continuous work on various roads and highways maintenance were reflected by (i) the decreasing number of accidents due to road condition, from 87 in 2012 to 56 in 2017 at a negative CAGR of approximately 8.4%, and (ii) the reduced number of accidents caused by inadequate light or sign at road works dropped significantly from 51 in 2012 to 19 in 2017 at a negative CAGR of approximately 17.9%. Sustained effort is expected from Highways Department and contractors to better manage and maintain roads and highways, and this will continue to drive the industry.

ENTRY BARRIERS

Requiring proven track record of industry experience and well-established networks

Contractors' reputation and established connections with Government departments, customers and suppliers are vital in the roads and highways management and maintenance industry. Project experience accumulation and proven track records are the key assessing criterion during the precondition public tendering Subcontractors with a well-developed portfolio, established business relationships with main contractors and related Government bodies and reputation in the industry will have a higher successful rate in tendering for projects with selective tendering basis. Under such basis, new entrants will have to confront with the difficulties in competing with the existing players within the industry.

Government's intention to enhance the transparency of inspection and maintenance work-done disclosure

Government's intention in increasing the level of maintenance service requirements, may raise difficulties for contractors with less experience. Government departments have been working to enhance transparencies on road conditions and data disclosure during inspection and maintenance process. Term contract payments for repair and maintenance works are performance linked, front-end contractors and workers are advised to (i) take site management records using standard report templates provided by Highways Department and (ii) include video or photographic records for the ease of Engineer's Representative certification. With the advanced requirements on inspection and work reports submission, increase in service level requirements could be one of the potential hurdles for new entrants.

THREATS

Impacts of the filibustering

Filibusters have been staged during Legislative Council's scrutiny of the Appropriation Bills as well as other bills and public funds, such as the annual expenditure on public and private works, hindering the development of the roads and highways management and maintenance industry in Hong Kong in the recent years. Numerous infrastructure projects were suspended due to the pending approval of funding resulted from the filibuster during 2012 to 2016. The suspension of Government funding reduced a considerable number of projects and lead to fewer business opportunities in the industry, which deter new entrants to enter the market and hinder the future development of the industry.

Increasing operating costs and lower profit margin for roads and highways management and maintenance works

Akin to the overall construction industry, the roads and highways management and maintenance industry has been facing the problem of increasing operating costs. The increase in operating costs can be partly attributed to the rising wage trend of construction workers. Increase in labour costs has consistently pushed up the operating costs of the roads and highways management and maintenance industry, lowering the profit margin and becoming a threat to the industry.

This section sets forth a summary of the principal laws and regulations which are relevant to our business in Hong Kong.

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking, which is defined to include construction works. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking (namely the person or body corporate having the management or control of the business carried on in an industrial undertaking and also the occupier of an industrial undertaking) to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking. The duties of a proprietor include: (i) providing and maintaining plant and work systems that do not endanger safety or health; (ii) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances; (iii) providing all necessary information, instructions, training and supervision for ensuring safety and health; (iv) providing and maintaining safe access to and egress from the workplaces; and (v) providing and maintaining a safe and healthy working environment.

A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months. We may be considered to fall within the meaning of proprietor under the Factories and Industrial Undertakings Ordinance due to our operations which encompass management or control of industrial undertakings for our projects. As such, any breach of our duty as a proprietor under the Factories and Industrial Undertakings Ordinance may constitute an offence and result in us being liable to a fine of HK\$500,000.

Further, as our project team is responsible for the on-site supervision and inspection works of our projects, each member of our project team is required to carry with the person a valid Green Card or an equivalent document in accordance with the Factories and Industrial Undertakings Ordinance while carrying out such on-site supervision and inspection works.

Pursuant to section 6BA of the Factories and Industrial Undertakings Ordinance, persons employed by industrial undertakings engaging in construction works must attend a relevant safety training course recognised under the Factories and Industrial Undertakings Ordinance and be issued a Green Card for attendance of such safety training course. On and after the appointed day, as defined in the Factories and Industrial Undertakings Ordinance, it shall be the duty of every relevant person employed at an industrial undertaking engaging in construction works who has been issued a relevant Green Card which has not expired to carry with his person the Green Card or an equivalent document while at work at the undertaking, and it is the duty of every proprietor of an industrial undertaking engaging in construction works not to employ at the undertaking a relevant person who has not been issued a relevant Green Card or whose relevant Green Card has expired. A Green Card shall expire between 1 and 3 years after the day on which it was issued.

Any proprietor who contravenes section 6BA commits an offence and is liable to a fine of HK\$50,000. However, it shall be a defence for an offence contrary to section 6BA for the proprietor to show that it believed, and that it was reasonable for it to believe, that the relevant person to whom the offence relates had been issued with a relevant Green Card and that it had not expired.

We are also required to comply with subsidiary regulations of the Factories and Industrial Undertakings Ordinance such as the Construction Sites (Safety) Regulation (Chapter 59I of the Laws of Hong Kong). The Construction Sites (Safety) Regulation provides for (i) the prohibition of employment of persons under 18 years of age on construction sites (save for certain exceptions); (ii) maintenance and operation of construction plants (including any plant, equipment, gear, machinery, apparatus, or appliance, or any part thereof) used or intended to be used for the purpose of construction works; (iii) the duty of a contractor responsible for a construction site to ensure the safety of the place of construction works; (iv) the duty of a contractor responsible for a construction site to take adequate steps to prevent falls; (v) provision of first aid facilities; and (vi) other miscellaneous safety requirements.

Rules arising from the Construction Sites (Safety) Regulation carry different levels of penalty and any person who contravenes or fails to comply with a rule under the Construction Sites (Safety) Regulation commits an offence and may be liable to a fine corresponding to that rule. A contractor found guilty of an offence could be held liable to a fine of up to HK\$200,000 and imprisonment up to 12 months.

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

As our operations involve industrial workplaces such as construction sites and our workers may be exposed to injuries whilst carrying out construction works, we are subject to the Occupational Safety and Health Ordinance. Our management team is also responsible for providing safety and health protection to employees in workplaces, both industrial and non-industrial in accordance with the Occupational Safety and Health Ordinance.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by: (i) providing and maintaining plant and work systems that do not endanger safety or health; (ii) making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances; (iii) providing all necessary information, instruction, training, and supervision for ensuring safety and health; (iv) providing and maintaining safe access to and egress from the workplaces; and (v) providing and maintaining a safe and healthy work environment.

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

The Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively and imprisonment of up to 12 months.

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

We have leased an office and is considered to be the occupier of such property under the Occupiers Liability Ordinance. As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person or business occupying or having control of the premises on which injury resulting to persons or damage has been caused to goods or other property lawfully on the premises.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premises to take such care so as to ensure that any person will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

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

The Construction Workers Registration Ordinance provides for the registration of construction workers and the regulation of construction workers personally carrying out construction works. Under the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction works unless the person is a registered construction worker of the Register of Construction Workers.

Likewise, principal contractors/subcontractors/employers/controllers of the construction site are required to employ only registered construction workers. Any person who employs a person who is not a registered construction worker to personally carry out construction works on a construction site shall be guilty of an offence and shall be liable on conviction to a maximum fine of HK\$50,000. Likewise, subcontractors, among others, of the construction site are required to employ only registered construction workers.

As subcontractors, we may be a controller of a construction site. Pursuant to section 58(7), a controller of a construction site is required to:

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

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

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

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

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

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

As a subcontractor and therefore a construction site controller, the Group is responsible for the control of the construction sites of our projects, and as such we are required to comply with the Immigration Ordinance. A construction site controller is defined as a principal or main contractor and includes any subcontractor, owner, occupier or other person who has control over or is in charge of a construction site. Under section 38A of the Immigration Ordinance, we are prohibited from recruiting illegal workers and are required to employ only lawfully employable workers to carry out works on our construction sites. Our main contractors are also considered construction site controllers and are also required to comply with section 38A of the Immigration Ordinance.

Any construction site controller who contravenes section 38A may be held liable upon conviction of a fine of HK\$350,000. However, it is a defence in proceedings for an offence under section 38A for the construction site controller to prove that it took all practicable steps to prevent illegal immigrants from being on the construction site and/or persons who are not lawfully employable from taking employment on the construction site.

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of employment, the employer is generally liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. If an employee suffers incapacity or dies as a result of an occupational disease arising out of and in the course of employment, the employee is entitled to receive the same compensation as that payable to an employee injured in an occupation accident.

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour (as defined under the Occupational Safety and Health Ordinance) of a work accident by submitting a Form 2 within 14 days for general work accidents or within 7 days for fatal accidents. The employer must submit a Form 2 irrespective of whether the accident gives rise to any liability for the employer to pay compensation. If the occurrence of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 and 14 days respectively, the Form 2 must be submitted not later than 7 and 14 days respectively, as the case may be, after the occurrence of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Additionally, pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to the employees of its subcontractors who are injured in accidents arising out of and in the course of employment with the subcontractor. However, a principal contractor is entitled to be indemnified for such compensation by any person who would have been liable to pay compensation to the injured employee.

Under section 40 of the Employees' Compensation Ordinance, all employers, including contractors and subcontractors, are required to take out insurance policies to cover their liabilities in respect of injuries of all employees, including full-time and part-time, from accidents arising out of and in the course of employment. Where a principal contractor has undertaken to perform any construction works, it may take out an insurance policy for an amount no less than HK\$200 million per event to cover is liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. An employer who fails to secure an insurance cover shall be liable on conviction to a fine of HK\$100,000 and to imprisonment for 2 years.

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

Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. However, a principal contractor's liability shall be limited to (i) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of such work; and (ii) the wages due to such employee for 2 months without any deductions (being the first 2 months of the period in respect of which the wages are due).

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

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

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

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

Employers are required to enrol their regular employees (except for certain exempt persons) aged between at least 18 and under 65 and employed for 60 days or more in an MPF scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as

mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount of equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014). Industry Schemes ("Industry Schemes") were established under the MPF system for employers in the construction and catering industries in view of the high labour mobility in these two industries, and the fact that most employees in these industries are "casual employees" whose employment in on a day-to-day basis or for a fixed period of less than 60 days.

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

- (i) foundation and associated works;
- (ii) civil engineering and associated works;
- (iii) demolition and structural alteration works;
- (iv) refurbishment and maintenance works;
- (v) general building construction works;
- (vi) fire services, mechanical, electrical and associated works;
- (vii) gas, plumbing, drainage and associated works; and
- (viii) interior fitting-out works.

The Mandatory Provident Fund Scheme Ordinance does not stipulate that employers in these industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for the scheme members and saves administrative costs.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment (as defined under the Employment Ordinance).

Under the Minimum Wage Ordinance, any provision of an employment contract which purports to extinguish or reduce any right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

LAWS AND REGULATIONS IN RELATION TO CONTRACTOR LICENSING AND REGISTRATION

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

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

Section 14(1) of the Buildings Ordinance provides that no person shall commence or carry out any building works, including site formation works and foundation works, without having obtained such prior approval and consent from the Building Authority and such proper appointments. According to section 41(3), building works (other than draining works, ground investigation in the scheduled areas, site formation works and minor works) in any building are exempt from the requirement for approval and consent from the Building Authority if the works do not involve the structure of the building.

If the building works are within the purview of section 41(3), the works must further comply with the building standards specified in the relevant Building Regulations empowered under the Buildings Ordinance. The Buildings Ordinance further requires that any authorised person of the buildings works must be appointed by the ultimate beneficiary of the works, the employer of the works or the contractor.

Under the current contractors registration system in Hong Kong, the Buildings Department keeps a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as foundation works) specified in the category in the sub-register in which they are entered.

The subcontractors carrying out foundation and substructure construction works are required to register or work together with contractors who are registered on either the list of register of general building contractors or the list of register of specialist contractors (sub-register of foundation works category) with the Buildings Department in Hong Kong.

List of Approved Contractors for Public Works maintained by the Development Bureau

In order to tender for public sector projects awarded by Government departments (including Highways Department), a contractor must be accepted on the List of Approved Contractors for Public Works maintained by the Development Bureau. The List of Approved Contractors comprises contractors who are approved for carrying out public works in one or more of the five major categories of building and Civil engineering works; i.e. (i) "buildings", (2) "port works", (3) "roads and drainage", (4) "site formation" and (5) "water works". Although approvals granted by the Development Bureau are not subject to renewal, approved contractors are required to meet the financial, technical, management, personnel and safety criteria applicable to their appropriate category to maintain their status on the approved lists and for the award of public works contracts. The Development Bureau may take regulatory actions, such as removal, suspension, downgrading, against approved contractors under certain circumstances.

Audited accounts of the approved contractors are submitted to the Development Bureau annually (a Group C contractor is also required to submit half-yearly management accounts), and may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements set out by the Development Bureau. If an approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for tendering or awarding any contract in that category. In the event the approved contractor fails to submit the accounts or rectify any shortfall in the required capital requirements within the prescribed period, regulatory actions, such as suspension of tendering, may be taken by the Development Bureau against such approved contractor.

The List of Approved Contractors for Public Works is divided into five categories: roads and drainage, port works, waterworks, buildings and site formation. Generally, there are three groups in each of the works categories (arranged in ascending order): Group A (except that there are no Group A in port works and site formation categories), Group B and Group C. Each group has its particular tendering limits. The following table sets out the value of works for which contractors in the respective categories and statuses may tender:

Authorised contract value

Category

Cutogory	The state of the s
Group A (probationary status)	Any number of Group A contracts in the same category, provided the total value of works in the Group A contracts that he already holds and the Group A contract being procured under the same category does not exceed HK\$100 million
Group A (confirmed status)	Contracts of value up to HK\$100 million
Group B (probationary status)	(i) any number of Group A contracts in the same category; and (ii) any number of Group B contracts in the same category, provided the total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed HK\$300 million
Group B (confirmed status)	Contracts of value up to HK\$300 million
Group C (probationary status) (note)	the total number of Group C contracts that the contractor already holds and the Group C contract being procured under the same category does not exceed two and that the total value of works in the Group C contracts that he already holds and the Group C contract being procured under the same category does not exceed HK\$700 million
Group C (confirmed status) (note)	Contracts of any values exceeding HK\$300 million

Note: Group C contractors will normally not be allowed to tender for contracts in Group A and Group B

As at the Latest Practicable Date, TMD is applying for the Group A probationary licence for approved contractors for public works.

Public sector construction projects

For public sector projects, contractors responsible for the land piling works are required to be listed under the Works Branch of the Development Bureau, and with the Buildings Department as registered specialist contractors in foundation works category. For site formation works, the responsible contractor is required to be an approved contractor for public works under the Development Bureau only. However, as long as a contractor to the project holds all the required registrations in a public sector project, other subcontractors are not required to hold the same registrations as that of the registered contractor in such a public section project.

Regulatory actions against contractors by the Development Bureau

The Development Bureau may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and the Employment Ordinance for employment of illegal workers, etc. For instance, according to the Technical Circular (Works) No. 3/2009 issued by the Development Bureau, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category) of the contractor's licence, depending on the seriousness of the incident triggering the regulatory actions.

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) ("CICO")

According to section 32 of the CICO, construction industry levy ("CIL") is payable by registered contractors appointed under section 9 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) or any persons who carry out construction operations in Hong Kong to the CIC. "Construction operation" is exhaustively defined under Schedule 1 of the CICO, which includes building works and street works as defined in section 2(1) of the Buildings Ordinance, construction, alteration, repair, maintenance, extension, demolition or dismantling, external or internal cleaning and painting or decorating any external or internal surfaces or parts of any buildings, or other temporary or permanent structures forming part of land.

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

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

Pursuant to section 35 of the CICO, a contractor is required to give a Notice of Payment ("NOP") in a specified form (Form 2) to the CIC within 14 days after the contractor receives a payment in respect of the construction operation. It is an offence if a person without reasonable excuse fails to give the NOP and liable to a fine at level 3, which is fixed at HK\$10,000.

Pursuant to section 36 of the CICO, a contractor is required to give a Notice of Completion ("NOC") in a specified form (Form 3) to the CIC within 14 days after the completion of the construction operation. It is an offence if a person without reasonable excuse fails to give the NOC and liable to a fine at level 3, which is fixed at HK\$10.000.

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

According to section 46 of the CICO, if the contractor fails to pay in full the amount of levy or surcharge within 28 days after the NOA or NOS is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within 3 months after the expiry of 28 days, a further 5% penalty of the unpaid amount shall be imposed.

CIL, surcharge, penalty or further penalty is recoverable by the CIC as civil debt under the jurisdiction of the District Court.

The time limits for the CIC to make the assessment or impose the surcharge under sections 42 to 45 of the CICO are, whichever is the last of the following periods:

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

Subcontractor Registration Scheme

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council. The Subcontractor Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme.

Pursuant to a technical circular issued by the Works Branch of the Development Bureau on 14 June 2004 requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all subcontractors registered from the respective trades available under the Voluntary Subcontractor Registration Scheme.

The Voluntary Subcontractor Registration Scheme was subsequently renamed to the Subcontractor Registration Scheme. All subcontractors registered under the Voluntary Subcontractor Scheme have automatically become registered subcontractors under the Subcontractor Registration Scheme. Subcontractors which are involved in, among others, structural and civil works in Hong Kong including foundation and piling, may apply for registration as a subcontractor under the Subcontractors Registration Scheme.

Where a contractor is to sub-contract/sub-let part of the public sector works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme), all subcontractors engaged shall be registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme.

Should the subcontractors further sub-contract any part of the public sector works subcontracted to them involving trades available under the Primary Register of the Subcontractor Registration Scheme, the contractor shall ensure that all such subcontractors are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme. As at the Latest Practicable Date, TMD and TMC are both registered under the Subcontractor Registration Scheme. For further details, please refer to the section headed "Business – Licenses, Permits and Qualifications" in this prospectus.

Save as disclosed in this paragraph headed "Subcontractor Registration Scheme", which is the prerequisite for the tendering and subcontracting of public works, our Directors are not aware of further licensing requirements, material laws and regulations, in relation to the subcontracting of public works for Highways Department or other Government departments.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

The Air Pollution Control Ordinance and its subsidiary regulations regulate the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources in Hong Kong.

The Air Pollution Control Ordinance provides that the owner of any premises, which includes a contractor who has possession of a site for the purposes of construction works, used for the conduct of any process specified in the Air Pollution Control Ordinance shall use the best practicable means for preventing the emission of noxious or offensive emissions from such premises.

In addition, the Air Pollution Control Ordinance requires that building works involving asbestos must be conducted only by registered asbestos contractors and under the supervision of registered asbestos consultants. Any owner of premises which contain or may reasonably be suspected of containing asbestos containing material and/or who intends to carry out work which involves the use or handling of any asbestos containing material in the premises must engage a registered asbestos consultant to carry out an investigation, prepare an asbestos management plan and monitor the implementation of the asbestos management plan and hire a registered asbestos contractor to implement the asbestos management plan and carry out the work.

Any owner of premises who fails to appoint a registered asbestos consultant to carry out an investigation, prepare an asbestos management plan or monitor the implementation of the asbestos management plan commits an offence and is liable to a fine of HK\$200,000 and to a further fine of HK\$5,000 for each day during which it is proved that the offence has continued. Any owner of premises who fails to appoint a registered asbestos contractor to implement an asbestos abatement plan or carry out work commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months and to a further fine of HK\$20,000 for each day during which it is proved that the offence has continued.

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

It is the responsibility of the contractor for a construction site where notifiable works is being carried out, to ensure that the works is carried out in accordance with the specified dust control requirements as under the Air Pollution Control (Construction Dust) Regulation. A contractor under the Air Pollution Control (Construction Dust) Regulation is defined as any person or firm engaged in carrying out construction works by way of trade or business, either on his own account or pursuant to a contract or arrangement entered into with another person or firm.

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

However, notifiable works do not include certain types of construction works, such as renovation, maintenance and alteration works carried out entirely within the external walls and under the roof of a building, and do not require prior notification to the Environmental Protection Department before the commencement of the works or compliance with the specified dust control requirements.

Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong) (the "NRMM Regulation")

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to bring non-road mobile machinery ("NRMMs") under emission control in line with environmentally advance countries. NRMMs include a wide range of mobile machineries, or vehicles powered by internal combustion engines used primarily off-road, whose emissions can cause environmental pollution and nuisance and have adverse health effects.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. Under Section 5 of the NRMM Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to Section 11 of the NRMM Regulation.

Under Section 5 of the NRMM Regulation, any person who uses or causes to be used a regulated machine in specified activities or locations without exemption or the Environmental Protection Department's approval is liable to a fine of up to HK\$200,000 and imprisonment for 6 months, and any person who uses or causes to be used in a specified activity a regulated machine that is approved or exempted but is without a proper label is liable to a fine at level 5 (currently at HK\$50,000) and imprisonment for 3 months.

Pursuant to the technical circular issued by the works branch of the Development Bureau on 8 February 2015 ("Technical Circular"), there is an implementation plan to phase out the use of four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) (the "Implementation Plan") under which all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding \$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively. Notwithstanding the Implementation Plan, exempted NRMMs may still be permitted at the discretion of the respective architect/engineer designated by the Government if there is no feasible alternative. In accordance with a Legislative Council Brief issued by the EPD in January 2015 (the "LC Brief"), the panel in general supported the Development Bureau to require its construction contractors to progressively increase the use of NRMMs over four years in large-scale public works upon the enactment of the NRMM Regulation, although the LC Brief did not specify the contract sum of large-scale public works and it is conceded that it would not be practicable to set a mandatory retirement age for NRMMs across the board.

As at the Latest Practicable Date, we have obtained approval or exemption for all regulated machines in accordance with the relevant requirement. We have also fulfilled the requirements regarding exempted NRMMs as relevant applications for exemption were made within the prescribed time and in accordance with the requirements specified in the NRMM Regulation, each exempted NRMM bears a proper label with a reference number issued by the Environmental Protection Department in accordance with the requirements specified in the NRMM Regulation, and no material modifications were made to the exempted NRMMs.

Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)

The purpose of the Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) without an environmental permit for the project or contrary to the conditions, if any, set out in the permit. The offender is liable on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for six months, on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years, on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for six months, on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and, in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied that the offence continued.

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

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. As a contractor, we are required to comply with the Noise Control Ordinance in carrying out general construction works. For construction activities that are to be carried out during restricted hours, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not permitted between 7 p.m. and 7 a.m. or at any time on general holidays, unless with a construction noise permit and the prior approval of the Noise Control Authority.

Any person who carries out noisy construction works without a construction noise permit commits an offence and shall be liable to a fine of HK\$100,000 on the first conviction and to a fine of HK\$200,000 on a second or subsequent conviction and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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

The Water Pollution Control Ordinance regulates the discharge of wastewater generated from construction activities into sewers or elsewhere in Hong Kong. As our operation generates wastewater, we are required to observe and comply with the Water Pollution Control Ordinance.

Under the Water Pollution Control Ordinance, discharge of wastewater generated from construction activities into sewers or elsewhere is not permitted unless (i) the discharge is exempted by the Environmental Protection Department; (ii) a licence has been issued by the Environmental Protection Department and the discharge complies with the terms and conditions of the licence; or (iii) an application for the discharge has been made to the Environmental Protection Department and the applicant has not been notified of a refusal to grant a licence.

Generally, the Environmental Protection Department shall grant a licence for the discharge of wastewater generated from construction activities into sewers or elsewhere unless, for example, the discharge endangers or is likely to endanger public health or is or is likely to be harmful to the health or safety of any person engaged in the operation or maintenance of a drainage or sewerage system.

A licence shall expire not less than 2 years after the day it was granted, and the Environmental Protection Department may renew any licence for a period of less than 2 years, cancel or vary the licence thereafter.

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

The nature of our business operations creates significant solid and chemical waste, and as a construction waste producer we are subject to the Waste Disposal Ordinance.

Section 16B of the Waste Disposal Ordinance strictly prohibits depositing construction waste disposal on private lots, unless (i) the total area on which the construction waste has been deposited within the lot does not exceed 20 sq. m.; or (ii) the sole owner or all of the owners of the private lot has given valid permission for the depositing of construction waste on the private lot. Such permission must be in the

specified form for the depositing of construction waste on a private lot under section 16C and must bear an acknowledgement by the Director of the Environmental Protection Department. The acknowledgement must be submitted at least 21 days before the intended date on which the depositing activity is to commence.

Any person who, except under and in accordance with an authorisation, does, causes or allows another person to do anything for which such authorisation is required, commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 6 months for a second or subsequent offence.

The Construction Waste Disposal Charging Scheme has been established by the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, pursuant to which all construction waste to be disposed of in Government waste disposal facilities carry respective construction waste disposal charges. As a construction waste producer, we are required to, prior to using Government waste disposal facilities, pay applicable charges for such disposal. Construction waste is defined as any substance, matter or thing that is generated from construction works and abandoned, whether or not it has been processed or stockpiled before being abandoned.

For contracts with a value of HK\$1 million or above, it is the duty of the main contractor who undertakes construction works under a particular contract, within 21 days of the award of the contract, to establish a billing account with the Environmental Protection Department in respect of that contract and pay the prescribed charges for construction waste generated from works thereunder. For contracts with a value less than HK\$1 million, any person, including a subcontractor, may establish the account and make arrangements for the disposal of construction waste.

Under the Waste Disposal (Chemical Waste) (General) Regulation, any waste producer who produces or causes chemical waste to be produced is required to register as a chemical waste producer with the Environmental Protection Department. Chemical waste must be properly packaged, labelled and stored by chemical waste producers before transportation to designated disposal facilities by a licensed chemical waste collector.

Prior notification must be given to the Environmental Protection Department by us as a waste producer of the chemical waste, and the disposal must be in accordance with the directions issued by the Environmental Protection Department specifying the appropriate disposal facility for the waste and the date and time when the delivery of such waste should be made. Any person authorised to be the applicant on our behalf as a body corporate who fails to register as a chemical waste producer commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

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

The Public Health and Municipal Services Ordinance regulates activities that are carried out in Hong Kong that may be considered a nuisance or injurious or dangerous to health, including construction works.

Under the Public Health and Municipal Services Ordinance, the Environmental Protection Department may cause a nuisance notice to be served on any contractor of construction works if, for example, any premises have been found to be in such a state as to be a nuisance or injurious or dangerous to health, or if the emission of dust from any building under construction or demolition has been found to be in such a manner as to be a nuisance. The nuisance notice shall require the person on whom the notice is served to do what is necessary for preventing the recurrence of the nuisance and, if the Environmental Protection Department thinks it desirable, specify any works to be executed for that purpose.

Any person by reason of whose act, default or sufferance the nuisance arose or continues, or, if that person cannot be found, the occupier or owner of the premises on which the nuisance exists, who does not observe and comply with the nuisance notice could be held liable, where the premises are found to be in such a state so as to be a nuisance and injurious to health, or where the emission of dust from any building under construction or demolition is found to be in such a manner so as to be a nuisance, to a fine of up to HK\$10,000 and a daily fine of HK\$200.

Additionally, any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance, with a maximum penalty of HK\$25,000 upon conviction and a daily fine of HK\$450. Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance, with a maximum penalty of HK\$10,000 upon conviction and a daily fine of HK\$200.

Discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$50,000 (level 5) upon conviction.

It is the responsibility of the contractor of construction works to observe and comply with the Public Health and Municipal Services Ordinance.

Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong)

Under the Dumping at Sea Ordinance, any waste producer involved in the disposal of substances and articles at sea or in the sea is required to obtain a permit from the Environmental Protection Department prior to the marine dumping.

Any person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and could be held liable (i) on a first conviction to a fine of HK\$200,000 and to imprisonment for 6 months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$500,000 and to imprisonment for 2 years, and in any case where the offence is of a continuing nature, a fine of HK\$10,000 for each day on which the offence has continued.

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

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

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

Contractors are required to:

- (a) inform the PCFB the commencement of construction operations within 14 days thereafter by a notice of commencement (Form 1). Failure to comply without reasonable excuse is liable for a fine at Level 2, which is fixed at HK\$5,000;
- (b) inform the PCFB within 14 days after the contractor receives a payment in respect of the construction operation by a NOP (Form 2). Failure to comply without reasonable excuse is liable for a fine at Level 2, which is fixed at HK\$5,000; and
- (c) inform the PCFB the completion of the construction operations within 14 days by a NOC (Form 3). Failure to comply without reasonable excuse is liable for a fine at Level 2, which is fixed at HK\$5.000.

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

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

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

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

OTHER RELEVANT LAWS AND REGULATIONS

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

Effective since 14 December 2015, the Competition Ordinance prohibits conduct that prevents, restricts or distorts competition in Hong Kong and provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes, among others, the First Conduct Rule to prohibit anti-competitive conduct involving more than one party.

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conducts include (i) fixing, maintaining, increasing or controlling the price of the supply of goods or services; (ii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iii) bid-rigging practices.

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

The proposed Security of Payment Legislation for the construction industry

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

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

Under the current payment practices along the construction supply chain, many contracts include "pay when paid" or "pay when certified" clauses, where payment is conditional on the payer receiving payment from a third party or payment is contingent or conditional on the operation of another contract or agreement. This often resulted in actual durations taken for certification and settlement of progress payments and final account payments being longer than the due dates specified in contracts. Under the proposed legislation, parties undertaking construction activities or providing related services, materials and plan shall be entitled to claim a progress payment based on the value of their works, services or supply every calendar month. Such value of work, services or supply shall be based on any contract price or rates or other pricing agreed by the parties to the extent it can be reasonably applied or otherwise having regard to market rates or prices prevailing in the industry at the time the contract was entered into.

All parties undertaking construction activities or provide related services, materials and plant shall be entitled to claim progress payments (which shall include single, interim and final progress payments). Payment of an amount due must be made within 60 calendar days of an interim progress payment claim being made or within 120 calendar days for a final progress payment claim.

Any provision in a construction contract purporting to impose "pay when paid" or "pay when certified" clauses or otherwise unfair payment terms that would violate parties' rights to progress payments or impose longer periods than 60 or 120 calendar days, respectively shall be deemed ineffective and unenforceable.

The proposed Security of Payment Legislation would also introduce adjudication as a means of resolving disputes relating to non-payment, value of works or extensions of time, allow parties to agree their own adjudicator, and impose a strict timetable upon the contract parties to ensure adjudication is conducted quickly and cost-effectively. Further, the proposed legislation will carry an express provision for enforcement by allowing an adjudicator's decision to be filed directly in court. Parties would be entitled to refer the matter to the court or arbitration if unsatisfied with the decision of the adjudicator.

The proposed legislation would provide parties with the right to suspend all or part of their works or to reduce the rate of progress in the event of non-payment, provided that notice is given to the principal contractor and site owner (if known). Parties whom suspend or slow down work due to non-payment would also have rights to extension of time and costs arising from the delay.

All contracts and sub-contracts, whether in written or oral form, for Government works, under which the Government and specified public entities procure construction and maintenance activities or related services, materials or plant, under which private entities procure construction activities for new buildings (as defined in the Buildings Ordinance) with a main contract value of over HK\$5 million or procure related services, material or plant or supply-only contracts with a contract value of over HK\$500,000, will be governed by the Security of Payment Legislation. Where the main contract is covered by the Security of Payment Legislation, all sub-contracts (irrespective of tier) will be covered by the Security of Payment Legislation regardless of value.

The proposed legislation will not apply retroactively but will apply only to contracts entered on or after a date to be set by or pursuant to the legislation.

Our Directors are of the view that the proposed Security of Payment Legislation will (i) lessen delays in progress payments from our customers, which will improve our cash flow and liquidity; (ii) provide an effective adjudication framework to solve disputes that may arise between us and our customers in a timely and cost-efficient manner, which will reduce the costs and time that we spend in handling disputes; and (iii) lessen the delays in our performance that may arise as a result of non-payment or disputes throughout our supply chain, which will result in a reduction in disruptions in our operations and delays in performing our project works.

Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong)

The Town Planning Ordinance provides for the systematic preparation and approval of plans for the lay-out of areas of Hong Kong as well as for the types of building suitable for erection therein and for the preparation and approval of plans for areas within which permission is required for development.

Under Section 21(1) of the Town Planning Ordinance, while a plan of a development permission area is effective, no person shall undertake or continue development in the development permission area unless (a) the development is an existing use; (b) the development is permitted under the plan of the development permission area; or (c) permission to do so has been granted under Section 16 of the Town Planning Ordinance. The offender is liable, in the case of a first conviction, to a fine of HK\$500,000 and, in the case of a second or subsequent conviction, to a fine of HK\$1 million.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

Under section 52(2) of the Inland Revenue Ordinance, every person who is an employer shall, when required to do so by notice in writing given by an assessor appointed under the Inland Revenue Ordinance, furnish a return of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor or any other person employed by him named by the assessor.

In addition, under section 52(4) of the Inland Revenue Ordinance, where any person who is an employer commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 3 months after the date of commencement of such employment. Under section 52(5) of the Inland Revenue Ordinance, where any person who is an employer ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 1 month before such individual ceases to be employed in Hong Kong.

THE CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands on 23 October 2017 and, as part of the Reorganisation, became the holding company of our Group with its business being conducted through its principal operating subsidiaries, TMD and TMC.

Our history can be traced back to 2010 when Mr. Ha, our Chairman and executive Director, and Mr. Ip, our Chief Executive Officer and executive Director, established TMD, drawing on their personal savings and extensive knowledge of the roads and highways management and maintenance industry in Hong Kong. TMD was established by Mr. Ha and Mr. Ip with the aim of providing repair and maintenance works for structures of roads and highways in Hong Kong. Over the years, we have further developed our construction operations to include civil engineering construction works such as barrier-free access lift works. Mr. Ha and Mr. Ip later established TMC in April 2014 to expand our road and highway operations alongside TMD.

Under the leadership and efforts of Mr. Ha and Mr. Ip, we have undergone steady expansion in both business operations and client base, establishing itself as a reputable subcontractor within the local roads and highways management and maintenance industry. As at the Latest Practicable Date, we have completed six repair and maintenance projects and two civil engineering construction projects.

BUSINESS DEVELOPMENT AND IMPORTANT MILESTONES

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

Month/Year	Event
April 2010	TMD was established and commenced its operation in providing repair and maintenance works for roads and highways in Hong Kong
April 2010	The roads and highways management and maintenance term contract for Kowloon West was awarded to us for the first time
December 2010	TMD was registered as a registered subcontractor under the Subcontractors Registration Scheme of the CIC
June 2011	Talent Global, a joint venture between TMD and Sun Kong was established to undertake the roads and highways management and maintenance term contract for Hong Kong Island
August 2011	The roads and highways management and maintenance term contract for Hong Kong Island was awarded to us for the first time
February 2013	TMD was accredited with the ISO 9001:2008 Quality Management System Standard
July 2013	We expanded our business to civil engineering construction works including the construction of sewerage and barrier-free access facilities

April 2014	TMC was established and commenced its operation in providing repair and maintenance work orders for roads and highways in Hong Kong
April 2014	The roads and highways management and maintenance term contract for Kowloon East was awarded to us for the first time
July 2014	We were awarded drainage improvement project by the DSD
April 2016	We were awarded country parks slopes maintenance project by the AFCD
June 2017	The roads and highways management and maintenance term contract for Hong Kong Island was awarded to us for the second time
May 2018	TMD was registered to District List of Home Affairs Department Approved Contractors (Tsuen Wan District)

OUR GROUP

As at the Latest Practicable Date, we consist of one direct and two indirect subsidiaries, which were incorporated in the BVI and Hong Kong respectively. Details of our members and their respective corporate histories are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 October 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares at a par value of HK\$0.01 each. On 23 October 2017, one fully-paid Share was allotted and issued to the initial subscriber of our Company, which was subsequently transferred to Talent Prime on 23 October 2017. On the same day, 99 fully-paid Shares were allotted and issued to Talent Prime.

On 21 September 2018, our Company allotted and issued 9,200 and 700 Shares, credited as fully paid, to Talent Prime and Infinite Honor, respectively, in consideration for the acquisition of the entire issued share capital in China Talents.

Immediately following the above allotment and share transfer, our Company was owned as to 93% and 7% by Talent Prime and Infinite Honor, respectively.

On 21 September 2018, our Company resolved to increase its authorised share capital from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 Shares, each ranking *paripassu* with our Shares then in issue in all respects.

As at the Latest Practicable Date, our Company acted as the holding company of our Group with its business being conducted through our principal operating subsidiaries, namely TMD and TMC.

OUR SUBSIDIARIES

China Talents

China Talents was incorporated in the BVI with limited liability on 17 February 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares of a single class each with a par value of US\$1.00. On 17 February 2017, 500 fully-paid shares of China Talents, representing the entire issued share capital of China Talents at the relevant time, were allotted and issued at par value to each of Mr. Ha and Mr. Ip, respectively. On 24 October 2017, 100 shares of China Talents were allotted and issued to Talent Prime and 700 shares of China Talents were allotted and issued to Infinite Honor at a consideration of HK\$7,000,000 as a result of the Pre-IPO Investment. On the same day, each of Mr. Ha and Mr. Ip transferred 500 shares of China Talents to Talent Prime and an aggregate of 8,200 shares were allotted and issued to Talent Prime as the consideration for the acquisition of TMD and TMC from Mr. Ha and Mr. Ip.

After the allotment and transfer of shares, Talent Prime and Infinite Honor, respectively owned 9,300 and 700 shares of China Talents, together representing its entire issued share capital.

As part of the Reorganisation, Talent Prime and Infinite Honor transferred the entire issued share capital of China Talents to our Company on 21 September 2018. After the share transfer, China Talents became a direct wholly-owned subsidiary of our Company.

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

TMD

TMD was incorporated in Hong Kong with limited liability on 29 April 2010 with an issued share capital of HK\$4,200,000 divided into 4,200,000 shares of HK\$1.00 each. On 29 April 2010, TMD allotted and issued one fully-paid share to the initial subscriber, which is an Independent Third Party. The share was subsequently transferred to Mr. Ha on 8 June 2010 at nominal value. On the same date, TMD allotted and issued one fully-paid share to Mr. Ip. On 16 August 2011, Mr. Ha transferred his one share in TMD to Ms. Wang Shen (who is the mother of Mr. Ha and held the share as nominee for Mr. Ha) for HK\$1.00. The consideration was determined with reference to the then par value of the share. On 20 June 2013, TMD further allotted and issued 2,099,999 and 2,099,999 fully-paid shares to Mr. Ip and Ms. Wang Shen (who held the shares as nominee for Mr. Ha), respectively. On 24 October 2017, Ms. Wang Shen transferred her 2,100,000 shares back to Mr. Ha for HK\$1.00. TMD has been beneficially owned as to 50% and 50% by Mr. Ha and 50% by Mr. Ip, since 8 June 2010.

TMD principally repairs and maintains structures of roads and highways in Hong Kong and undertakes civil engineering construction works in Hong Kong.

TMC

TMC was incorporated in Hong Kong with limited liability on 4 April 2014 with an issued share capital of HK\$2.00 divided into two shares of HK\$1.00 each. On 4 April 2014, TMC allotted and issued one and one fully-paid share to Mr. Ha and Mr. Ip, respectively. TMC has been beneficially owned as to 50% by Mr. Ha and 50% by Mr. Ip, since its incorporation.

TMC principally repairs and maintains structures of roads and highways in Hong Kong.

PARTIES ACTING IN CONCERT

On 18 December 2017, Mr. Ha and Mr. Ip entered into the Concert Parties Confirmatory Deed to acknowledge and confirm that:

- (a) they are parties acting in concert with one another in respect of all major affairs concerning each of the members of the Group (the "Relevant Companies") since the date they became interested in and possessed voting rights in the Relevant Companies and they both held direct or indirect shareholding interests in each of the Relevant Companies, and shall continue to do the same as at and after the date of the Concert Parties Confirmatory Deed;
- (b) they, whether by themselves or via any corporate vehicles, have been cooperating and acting in concert (for purpose of the Takeovers Code) with one another in respect of all material management matters, voting decision and/or business decision relating to the Group required to be approved by shareholders under the articles of association of the Company,
- (c) they had first communicated, discussed and come to a unanimous decision in all shareholders' meetings and had reached the unanimous decision and resolution in accordance with the consensus achieved among them.
- (d) they undertake with one another that when exercising his respective voting rights at the shareholders' meetings of the Relevant Companies, and they shall vote, or procure any entities which were entitled to vote at the shareholders' meetings to vote, collectively and unanimously in accordance with consensus achieved among Mr. Ha and Mr. Ip.
- (e) they undertake that prior to voting on any resolutions in shareholders' meeting and board meeting, they will collectively discuss the relevant matters with one another with a view to reaching consensus and a unanimous vote.

Hence, by virtue of the Concert Parties Confirmatory Deed, Mr. Ha and Mr. Ip will be entitled to exercise and control 69.75% of the entire issued share capital of our Company upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).

REORGANISATION

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

1. Incorporation of China Talents

China Talents was incorporated in the BVI with limited liability on 17 February 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares of a single class each with a par value of US\$1.00. On 17 February 2017, 500 fully-paid ordinary shares of China Talents, representing the entire issued share capital of China Talents, were allotted and issued at par to each of Mr. Ha and Mr. Ip, respectively.

On 24 October 2017, Talent Prime subscribed for 100 shares of China Talents at a consideration of HK\$7,000,000 as a result of the Pre-IPO Investment. China Talents allotted and issued 100 fully-paid shares on the same day.

2. Pre-IPO Investment

On 1 August 2017, Infinite Honor agreed to subscribe for and China Talents agreed to allot and issue to Infinite Honor 700 shares of China Talents, representing 7% of its issued share capital as enlarged by the allotment and issue of shares under the Pre-IPO Investment, at a consideration of HK\$7,000,000. The consideration was settled on 31 August 2017. On 30 September 2017, a capital injection of HK\$3,500,000 was made by Talent Prime to China Talents. China Talents allotted and issued 700 fully-paid shares at par to Infinite Honor on 24 October 2017.

Details of the Pre-IPO Investment are summarised below:

Pre-IPO Investment

Name of investor: Infinite Honor

Date of the Pre-IPO Investment agreement: 1 August 2017^(Note 3)

Number of shares issued and allotted: 700

Amount of consideration paid: HK\$7,000,000

Date of payment of the consideration in full: 31 August 2017

Effective cost per Share (Note 1): Approximately HK\$0.28

Percentage of shareholding upon Listing^(Note 2): 25,200,000 Shares, representing 5.25% of the

issued share capital of our Company upon

Listing

Notes:

1. For illustration purposes only. Based on the indicative Offer Price range, representing a discount of approximately 30% to HK\$0.40 per Share, being the low-end of the stated Offer Price range, and a discount of approximately 49.1% to HK\$0.55 per Share, being the high-end of the stated Offer Price range.

- 2. Assuming completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of the Offers Size Adjustment Option and any options which may be granted under the Share Option Scheme).
- 3. China Talents and Infinite Honor entered into a subscription agreement on 1 August 2017 and a supplemental agreement to the subscription agreement on 31 December 2017, pursuant to which Infinite Honor agreed to subscribe for, and China Talents agreed to allot and issue to Infinite Honor, 700 shares in China Talents at a consideration of HK\$7,000,000. The supplemental agreement to the Pre-IPO Investment agreement was entered into by the same parties and is related to the same subject matter of the Pre-IPO Investment agreement, nor does it amend or remove any key terms of the Pre-IPO Investment. The purpose of the supplemental agreement was to clarify the transfer of subscription shares has taken place on the completion date, i.e. 31 August 2017, despite the shares were subsequently allotted and issued on a later date. Such supplemental agreement does not constitute a new agreement between China Talents and Mr. Lau.

The considerations were arrived at after arm's length negotiations between the parties with reference to the net profit of our Company for the year ended 31 March 2017, the price-to-earnings multiples of comparable companies listed on the Stock Exchange, and our prospect. Pursuant to subscription agreement dated 1 August 2017, the transactions were legally completed and the considerations were settled on 31 August 2017. Our Directors are of the view that the Pre-IPO Investment was entered into on normal commercial terms. The proceeds from the Pre-IPO Investment have been fully utilised and primarily used as our general working capital for payment of salary and subcontracting charges for the two months ended 30 September 2017.

Infinite Honor was incorporated on 5 July 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. On 26 July 2017, one fully-paid ordinary share of Infinite Honor, representing the entire issued share capital of Infinite Honor, was allotted and issued at par to Mr. Lau. Infinite Honor is an investment holding company and has no business operations other than holding the subscription shares. Mr. Lau has worked in the financial industry for over 25 and construction industry for over six years. Mr. Lau has been acquainted with our executive Directors for over two years in a business occasion through one of our subcontractors, a company listed on the GEM of the Stock Exchange, where Mr. Lau has worked as an independent non-executive director since May 2017. Due to the possibility of our potential listing, Mr. Lau expressed his interest in investing in us. After discussion with our Company's management and coupled with his confidence in our business prospects and potentials, and our Directors' expertise in roads and highways management and maintenance industry in Hong Kong, Mr. Lau decided to invest in us. Please refer to the section headed "Directors and Senior Management – Non-executive Director" in this prospectus for further details on the biography of Mr. Lau.

Infinite Honor and Mr. Lau are not involved in our management and daily operations. Our Directors believe that the Pre-IPO Investment would strengthen our shareholder base and enhance its corporate governance practice and business network. Our Directors consider that by introducing Infinite Honor as additional shareholder, we would benefit from the insights and banking and finance experiences of Mr. Lau. A more diversified shareholding structure is also expected to promote accountability of our management to our shareholders, which would facilitate and strengthen our internal control. Save as the above and as far as Our Directors are aware, each of Mr. Lau, Infinite Honor and their respective associates are independent of our Controlling Shareholders or our other Directors.

Upon completion of the Pre-IPO Investment, the shareholding structure of China Talents was as follow:

Name of shareholders	Number of shares	Shareholding %
Talent Prime Infinite Honor	9,300 700	93% 7%
Total	10,000	100%

Upon Listing, Infinite Honor would be interested in 5.25% of the issued share capital of our Company upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).

The Shares held by the Infinite Honor are not subject to any lock-up upon Listing and are not considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules given that Mr. Lau is our non-executive Director.

Pursuant to the Pre-IPO Investment Agreement, Infinite Honor is not entitled to any special rights in connection with the Pre-IPO Investment. The Sole Sponsor confirmed that the Pre-IPO Investment is in compliance with the "Interim Guidance on Pre-IPO Investments" issued by the Listing Committee and dated 13 October 2010 (HKEx-GL29-12). The consideration under the Pre-IPO Investment Agreement was settled more than 28 clear days before the date of the first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing. The Sole Sponsor also confirmed that the Pre-IPO Investment is in compliance with Guidance Letter HKEx-GL43-12, and the Guidance Letter HKExGL44-12 is not applicable.

3. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 October 2017 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 Shares at a par value of HK\$0.01 each. On 23 October 2017, one fully-paid Share was allotted and issued to the initial subscriber of our Company, which was subsequently transferred to Talent Prime on 23 October 2017. On the same day, 99 fully-paid Shares were allotted and issued to Talent Prime.

4. Acquisition of TMC

On 24 October 2017, China Talents acquired an aggregate of two shares in TMC, representing the entire issued share capital of TMC, from Mr. Ha and Mr. Ip in consideration of which China Talents allotted and issued 4,000 shares, credited as fully paid, to Talent Prime. China Talents allotted and issued 4,000 shares to Talent Prime on 24 October 2017.

5. Acquisition of TMD

On 24 October 2017, China Talents acquired an aggregate of 4,200,000 shares in TMD, representing the entire issued share capital of TMD, from Mr. Ha and Mr. Ip in consideration of which (i) transfer of 500 and 500 ordinary shares of China Talents held by Mr. Ha and Mr. Ip, respectively to Talent Prime; and (ii) China Talents allotted and issued 4,200 shares, credited as fully paid, to Talent Prime. The transfer and allotment of shares were completed on 24 October 2017.

6. Acquisition of China Talents

On 21 September 2018, our Company acquired the entire issued share capital in China Talents, and as consideration, our Company allotted and issued 9,200 and 700 Shares, credited as fully-paid, to Talent Prime and Infinite Honor, respectively.

Pursuant to the transactions, our Company became the holding company of TMC, TMD and China Talents, and Infinite Honor and Talent Prime became the shareholders of the entire issued share capital of our Company.

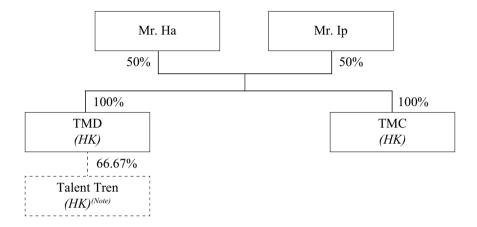
7. Capitalisation Issue and Share Offer

Subject to (i) all the Shareholders passing the necessary shareholder resolutions; and (ii) the Share Offer becoming unconditional and the share premium account of our Company having sufficient balance, our Directors were authorised to capitalise the amount of approximately HK\$3,599,900 standing to the credit of the share premium account of our Company by applying such sum in paying up a total at par of 359,990,000 Shares for allotment and issue to the then Shareholders as at 21 September 2018 in proportion to their respective shareholdings in our Company.

Our Company will offer 12,000,000 Public Offer Shares under the Public Offer for subscription by the public of Hong Kong and 108,000,000 Placing Shares under the Placing comprising 120,000,000 new Shares offered by our Company for subscription by professional, institutional and other investors, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

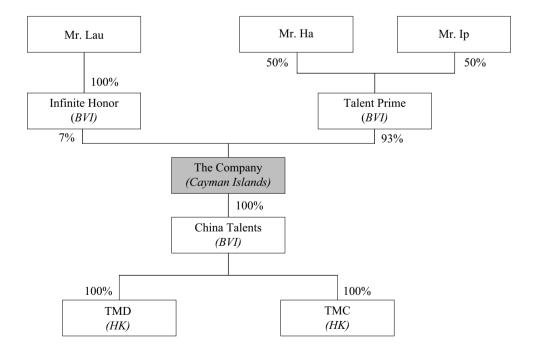
THE CORPORATE STRUCTURE OF OUR GROUP

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

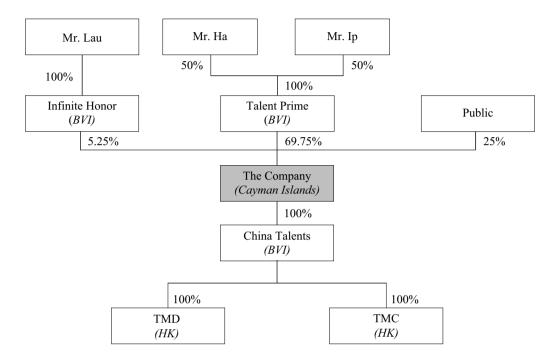


Note: Talent Tren was incorporated in Hong Kong with limited liability on 22 August 2013 and owned as to 33.33% and 66.67% by an Independent Third Party and TMD, respectively, since its incorporation up to its dissolution on 14 July 2017. Talent Tren was principally engaged in the building of barrier-free access facilities in Hong Kong and was dormant immediately before its dissolution. During the Track Record Period and prior to its dissolution, there were no material non-compliances of Talent Tren. Our Directors confirmed that (i) Talent Tren was solvent immediately prior to its dissolution; (ii) there was no wrongful act on TMD's or their part leading to the dissolution of Talent Tren; and (iii) they are not aware of any actual or potential material claim that has been or will be made against them as a result of the dissolution of Talent Tren.

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



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



OVERVIEW

We are an established subcontractor engaged in civil engineering works with eight years of experience. We principally repair and maintain structures of roads and highways in Hong Kong, with focus in Kowloon and Hong Kong Island. Since 2013, we have extended our services to civil engineering construction works including construction of sewerage, waterworks and barrier-free access facilities.

A highway structure is a structure for the carriage of vehicles, bicycles and/or pedestrians over, such as footbridge, flyover, viaduct, underpass and subway. According to Highways Department, structures constructed on a highways structure, such as noise barriers, noise enclosures and road signs, are also considered as highway structures.

The common types of roads and highways repair and maintenance works undertaken by us can be categorised into structural works and regional works. Structural works mainly include (i) routine cleansing and inspection of highway structures; (ii) replacement and repair works of highway structures such as expansion joints and bearings, steel roof cladding, crash cushion and steel parapet; (iii) replacement, repair and demolition of road signs; (iv) painting and application of protective coating of highway structures; and (v) concrete pavement and repair. Regional works refer to public roads' maintenance works within a specified district or region such as (i) inspection and general maintenance; (ii) pavement of carriageway and walkpath; (iii) installation of street furniture; and (iv) anti-skid dressing.

As at the Latest Practicable Date, we have completed six major repair and maintenance projects and two civil engineering construction projects. We currently have six ongoing major repair and maintenance projects and two ongoing civil engineering construction projects. Except for one of our civil engineering projects, project B4, all our ongoing projects were public sector projects as at the Latest Practicable Date. For further details of our ongoing and completed projects, please refer to the paragraph headed "Our projects" in this section.

During the Track Record Period, all of our contracts were derived from public sector involving Government departments such as Highways Department, AFCD, DSD and other public bodies. The projects undertaken by us can generally be categorised into (i) repair and maintenance projects; and (ii) civil engineering construction projects. The following table sets out a breakdown of our revenue during the Track Record Period attributable to the two major project categories:

	For the year ended 31 March					
	2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Repair and maintenance						
projects	41,375	78.3	57,774	78.5	75,204	82.0
– Structural works	26,848	50.8	48,770	66.3	29,585	32.3
– Regional works	9,560	18.1	2,343	3.2	5,631	6.1
- Others(note 1)	4,967	9.4	6,661	9.0	39,988	43.6
Civil engineering construction						
projects	11,472	21.7	15,795	21.5	16,560	18.0
Total	52,847	100.0	73,569	100.0	91,764	100.0

Note:

(1) Others refer to repair and maintenance projects awarded by Government departments other than Highways Department.

Our direct customers are primarily main contractors and subcontractors of different types of public civil engineering projects in Hong Kong. For the three years ended 31 March 2018, revenue derived from our five largest customers were HK\$50.9 million, HK\$72.7 million and HK\$80.4 million which accounted for approximately 96.4%, 98.8% and 87.6%, respectively, of our total revenue. We have maintained stable relationships with our major customers due to our well-established presence in the roads and highways management and maintenance industry and familiarity with the road and traffic conditions. Our five largest customers, by revenue, during the Track Record Period have maintained stable business relationships with us for a period ranging from two to seven years.

During the Track Record Period, we secured new businesses mainly through participating in direct invitation to tender or request for quotation by customers on a project-by-project basis. For all of our major repair and maintenance projects, we entered into fixed-term contracts ranging from one to six years with our customers. Our customers assign repair and maintenance works to us in the form of works orders which are issued by the relevant Government departments from time to time. Subject to the nature of works specified in the works orders, the duration of each works order may vary from a day to over a year. For further details of our repair and maintenance works orders, please refer to the paragraph headed "Our services – Repair and maintenance works – Repair and maintenance works undertaken by us" in this section. As for civil engineering construction projects, the duration of our civil engineering construction works in general ranges from one to two years.

While we have our own direct labours for carrying out our projects, depending on the availability of our labour resources and the nature of works involved, we also subcontract certain of our works to our subcontractors. Some of our subcontracted works require specific licences and skills such as site formation, piling, road marking, replacement of expansion joints and installation of electric components. Other works which do not require specific qualifications, such as painting and cleansing, may also be subcontracted out for the purposes of better allocation of our resources and alleviation of our tight labour supply. For the three years ended 31 March 2018, subcontracting charges we paid to our five largest subcontractors accounted for approximately 91.3%, 84.9% and 64.2%, respectively, of our total subcontracting charges incurred. Our five largest subcontractors during the Track Record Period have maintained business relationships with us for a period ranging from one to seven years.

Our suppliers primarily provide us with construction materials such as paint, concrete, asphalt and repair mortar for repair and maintenance works; and formwork, steel reinforcement bars, structural steel and concrete for civil engineering construction works. For the three years ended 31 March 2018, our five largest suppliers accounted for approximately 79.9%, 50.7% and 74.7%, respectively, of our total purchases (excluding subcontracting charges and contra charges). Our five largest suppliers, by cost of sales, during the Track Record Period have maintained business relationship with us for a period ranging from one to four years.

Our principal operating subsidiaries, TMD and TMC, have been registered in the Subcontractor Registration Scheme of the CIC since 2010 and 2016 respectively. In 2013, we obtained an ISO 9001:2008 certification as a result of effective implementation of our quality management systems. We are also on the supplier lists of the AFCD and FEHD. As at the Latest Practicable Date, we are applying for the Group A probationary licence for approved contractors for public works – road and drainage with the WBDB.

COMPETITIVE STRENGTHS

Stable relationship with our major customers, subcontractors and suppliers

We have established stable business relationship with our major customers who are mostly reputable main contractors of civil engineering projects in the public sector. In 2016, the top five main contractors of roads and highways repair and maintenance works in Hong Kong accounted for approximately 46.3% of the estimated total term contract value in Highways Department. Among those top five main contractors, we had business relationship with three of them. Our Directors believe that the established working relationships with our major customers have enhanced our market recognition and enabled us to attract more business opportunities. We work closely with our customers from tendering stage to project completion.

For repair and maintenance projects, we are usually directly invited by our customers to submit a tender shortly after they have secured their role as the main contractor or subcontractor of projects. We communicate with our customers on a regular basis in respect of matters such as tendering price, progress of works and safety issues. For repair and maintenance projects originated from Highways Department, it is usually required for the relevant main contractor to attend Highways Department's office to receive works orders from time to time. In practice, it is common for our site agents (instead of our customer's staff) to attend Highways Department's office on behalf of our customers. Among our top five customers during the Track Record Period, we have maintained two to seven years of relationship with them.

Furthermore, we have also established stable business relationships with our major subcontractors and suppliers. We have maintained at least four and two years of relationship with majority of our top five subcontractors and suppliers respectively. Our Directors believe that our stable relationship with our major customers, subcontractors and suppliers reflect positively on us as a valued working party.

Well-established presence in roads and highways management and maintenance industry in Hong Kong

We have been operating in the roads and highways management and maintenance industry in Hong Kong for seven years. Since our establishment, we have been able to secure contracts from main contractors and subcontractors for repair and maintenance projects for roads and highways in Hong Kong. Our Directors believe that as a subcontractor with well established presence in the industry and familiarity with the road and traffic conditions in Kowloon and Hong Kong Island, we will continue to be in an advantageous position to secure contracts from our customers who are among the top five main contractors of roads and highway management and maintenance industry in Hong Kong. As at the Latest Practicable Date, we have secured our role as the subcontractor of the main contractor for two consecutive terms for the Kowloon West structural contract from 2010 to 2014 and from 2015 to 2020, the Hong Kong Island structural contract from 2011 to 2017 and from 2017 to 2023 and the Kowloon East structural contract from 2014 to 2018 and from 2018 to 2024, respectively. The consecutive appointment has strengthened our foothold in the roads and highways management and maintenance industry.

Our principal operating subsidiaries, TMD and TMC, have been registered in the Subcontractor Registration Scheme of the CIC since 2010 and 2016 respectively. We are also on the supplier lists of the AFCD and FEHD. We have established ourselves as a dedicated subcontractor with high service quality in the roads and highways management and maintenance industry. Our service quality enables us to gain confidence from our customers. Our Directors believe that our proven track record and our familiarity with the road and traffic conditions are crucial factors for our success in the industry.

We have a strong, experienced and competent management team

We are led by Mr. Ha, our Chairman and executive Director, and Mr. Ip, our Chief Executive Officer and executive Director. Mr. Ha has over 16 years of experience in the roads and highways management and maintenance industry, whereas Mr. Ip has over 23 years of experience in the civil engineering industry. During the engagement of Mr. Ha and Mr. Ip in the industry, they have established close relationship with customers, suppliers and subcontractors. Our management team members are well-trained and experienced in their respective areas of competence. We believe that a strong, experienced and competent management team is the key to our success. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details of our management team's background and experience.

Our commitment to maintaining safety standard, quality control and environmental protection

We place considerable emphasis to maintain safety standard and quality control as they may directly affect our reputation, service quality and profitability. Our management system was certified to be in accordance with the standard under ISO 9001:2008 since 2013. In addition, we have a safety team led by our safety officer, Mr. Leung Wai Man Andrew, to enforce the safety requirements among us. He obtained a professional diploma in occupational safety and health in March 2013. Our safety team conducts regular on-

site meetings and inspections to ensure compliance with safety requirements and specifications. For the three years ended 31 March 2018, we had no significant personal injury accident in respect of our employees and those of our subcontractors in performance of our projects. There was one injury case happened before the Track Record Period and one during the Track Record Period. For details of the cases, please refer to the paragraph headed "Litigations and potential claims" in this section. Our Directors believe that our strong commitments to work's quality, safety and occupational health are crucial to us in delivering quality works to our customers.

Flexibility and capability to provide alternative design proposal

Leveraging on our experienced management team, we have the capability to provide designs in our civil engineering construction projects. We believe we have the flexibility and capability in coming up with design plans that suit our customers' requirements and the site conditions. In civil engineering construction projects, we may (if requested by our customer) submit design proposals or otherwise make appropriate adjustments to the drawings prepared by our customers which comply with technical requirements. After compiling such design proposals, our customers will seek independent third parties with the required qualification to endorse our plan. Our Directors believe all these additional services give us a competitive edge over our competitors.

BUSINESS STRATEGIES

Our principal business objective is to solidify our established market position in the roads and highways management and maintenance industry and enhance our market position in the civil engineering construction sector. We intend to achieve our business objective by competing for repair and maintenance projects in other regions in Hong Kong and a wider spectrum of civil engineering construction projects. As the number of repair and maintenance works orders and size of civil engineering construction projects that we can undertake concurrently at any given time is limited by our resources including the capacity and the availability of our machinery and manpower, any insufficiency of or inability to mobilise our machinery and skilled labour during our operation may become the bottleneck of our profitability. Therefore, our Directors believe that the expansion of our operation can be achieved by acquisition of additional machinery and equipment, further strengthening our manpower and application for admission on the Specialist List.

According to the Ipsos Report, the market size of the roads and highways management and maintenance industry in Hong Kong in 2017 is approximately HK\$1,646.6 million. For the year ended 31 March 2018, our revenue derived from repair and maintenance projects amounted to approximately HK\$75.2 million, representing a portion of approximately 4.6%. Our Directors believe there are ample opportunities for our business to grow. Leveraged on our competitive strengths in the industry, our market share has been increasing during the Track Record Period and the expansion is expected to continue going forward. Our ability to capture the market demand is evident from (i) our revenue growth in repair and maintenance projects during the Track Record Period from approximately HK\$41.4 million for the year ended 31 March 2016 to approximately HK\$57.8 million for the year ended 31 March 2017 and further to approximately HK\$75.2 million for the year ended 31 March 2018, representing a growth rate of over 30% each year; (ii) the increase in the number of repair and maintenance projects that we were involved in during the Track Record Period from five projects for the year ended 31 March 2016 to seven projects for the year ended 31 March 2018; (iii) our ability to renew existing contracts and enter into new contracts despite the fact that the main contractor in such projects may have changed, such as the roads and highways management and

maintenance term contract in Kowloon West, Hong Kong Island and Kowloon East; and (iv) the increase in the scope and scale of works we undertook, such as the Hong Kong Island term contract for regional works (Project A7b), Kowloon East term contract for structural works (Project A11) which involved works orders of special nature, e.g. water proofing injection works, and the Kowloon East term contract for regional works – Kwun Tong (Project A11). As at 31 August 2018, we have received 69 works orders from the Kowloon East term contract which is expected to generate approximately HK\$17.8 million of revenue for the year ending 31 March 2019. The amount will continue to increase as we receive more works orders after 31 August 2018.

Going forward, our Directors consider there will be sufficient Government tenders available to us. The Government expenditure in terms of district and maintenance works for Highways Department in the 2018 Budget is estimated to be approximately HK\$2,338.7 million, representing an approximately 53.0% increase from the actual Government expenditure of approximately HK\$1,528.7 million in 2017. Based on the information currently available, we intend to pursue other tender opportunities offered by Highways Department and other Government departments. Specifically, based on the "Forecast of Invitations to Tender - August 2018 to January 2019" published on Highways Department's website, there will be eight projects (one repair and maintenance project and seven civil engineering construction projects) available for tender from August 2018 to January 2019 and we intend to submit one tender for repair and maintenance project and three tenders for civil engineering construction subcontracts after the main contractor secured the main contract. Each of these eight projects is estimated to be with a minimum main contract sum of over HK\$200 million. Our Directors estimate that the total contract sum of the three subcontracts for the aforesaid civil engineering construction projects, if we succeed in tendering for such subcontracts, is approximately HK\$598 million, based on the industry information of similar main contracts awarded in the past and our tendering strategies in pricing. As for the repair and maintenance project, i.e. the term contract for the management and maintenance of high speed roads in New Territories East and Hong Kong Island 2019 -2025, our Directors expect the contract sum for the main contract will be over HK\$400 million based on the historical award price of such contract.

Despite the inherent uncertainty as to the outcome of future tender bids, given (i) the high success rate in our tenders for repair and maintenance projects; (ii) our competitive advantages including the stable relationship with major customers, subcontractors and suppliers and our established presence in the industry as discussed in the paragraph headed "Business — Competitive strengths" in this prospectus; and (iii) the availability of suitable Government repair and maintenance projects and the industry outlook, our Directors are confident that we will continue to secure new contracts. Additional funding from the Share Offer is therefore crucial for us to further expand our scale of operation.

Acquisition of additional machinery and equipment

To further enhance and optimise our overall efficiency and capacity in securing sizeable repair and maintenance projects and civil engineering construction projects, we intend to acquire additional machinery and equipment. It will also allow us to cope with our business development plan to undertake repair and maintenance projects in other regions in Hong Kong in the future and minimise machinery and equipment rental costs. During the Track Record Period, in addition to our owned machinery and equipment, we needed to rent lorry cranes, excavators and grab-mounted lorries from our machinery and equipment leasing

companies. To satisfy our project needs, during the Track Record Period and up to the Latest Practicable Date, we have purchased 53 major machines including motor vehicles, survey equipment, grinding machine and road compactor at a total acquisition cost of approximately HK\$3.9 million.

In view of the future growth in Government's expenditure on infrastructure projects and the gross output value of the civil engineering works in Hong Kong as identified in the Ipsos Report, we intend to acquire additional excavators, high pressure waterjet machine, flashing arrow vehicles, crash cushion cars and cranes that suit our needs for the newly awarded projects and projects that we plan to tender in 2018. These additional machinery and equipment will be applied to our existing repair and maintenance projects, such as the two management and maintenance term contracts (structural works) in Hong Kong Island and Kowloon West and the upgrading works for slopes and retaining walls at Tsuen Wan Chinese Permanent Cemetery, and civil engineering construction projects such as the construction of barrier-free access facilities in Hung Hom, Tai Po Road, Choi Wan and Fung Tak. The additional machinery and equipment will also be used in new projects such as the Kowloon East management and maintenance term contract (regional and structural works) and a civil engineering construction project which we have secured in March 2018 and the three civil engineering construction projects which we had submitted the tenders after the Track Record Period. Given the constant usage of our machinery and equipment, we also expect there will be an increase in our demand for related parts for repair and maintenance of our machinery. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further details on the use of proceeds for acquisition of additional machinery and equipment and related parts for our expansion.

Our Directors believe that acquisition of additional machinery and equipment will allow us to: (i) cater for projects of larger scale, such as the existing term contracts for structural works in Hong Kong Island, Kowloon West and Kowloon East, and projects with increased complexity in the future, such as the regional works and water proofing injection works under the Kowloon East term contract, and therefore maintain our flexibility in tendering projects due to the immediate availability of relevant machinery and equipment according to tender requirements; (ii) increase our flexibility in works planning and resource allocation and enhance our works efficiency and technical capability; (iii) avoid unnecessary delay in case there is a shortage of machinery and equipment for leasing in the market; (iv) increase our industry creditworthiness and awareness among our peers; and (v) increase the chance of successful renewal of repair and maintenance contracts upon expiration in future. Our repair and maintenance projects involve a mixture of works orders our customers assigned to us from time to time which in turn involve the use of different machinery and equipment. Owning sufficient number of machinery and equipment will enable us to carry out the works efficiently and hence foster the confidence of our customers in awarding more works and contracts to us in the long run. Furthermore, our Directors believe that acquiring the additional machinery and equipment by full payment is more beneficial than finance lease as it can save the interest incurred from finance lease. Based on our previous experience, the annual interest rate of interest under a finance lease is around 4.0% to 6.6% of the purchase value of the machinery. It is expected acquiring additional machinery and equipment by full payment instead of by finance lease will save us an annual interest cost of approximately HK\$0.4 million.

We shall also continue to evaluate the operating condition, effectiveness and efficiency of our machinery and equipment and assess our need for acquiring additional machinery and equipment in accordance with our business development.

Further strengthening our manpower

We consider that a team of strong workforce equipped with appropriate knowledge and experience in our operation is crucial to our continuing success.

To cater for the growing demand and Government expenditure in the civil engineering industry in Hong Kong, we plan to expand our labour resources for our projects on hand and newly awarded projects in the future by (i) setting up an additional operation team upon Listing consisting of a quantity surveyor manager, site engineer, foreman and workers; (ii) recruiting administrative staff including a general manager, general clerks and accounting officers to deal with the financial reporting requirements and corporate governance matters which we expect to enhance following the Listing. The additional staff will lead to a reduction of our reliance on subcontracting services such as the general labour for painting, formwork and concrete pavement. We plan to utilise the net proceeds from the Share Offer to fund the cost of recruiting the additional general manager, quantity surveyor manager, site engineer, foreman and 10 workers for 24 months. For other staff such as the general clerks and accounting officers, we will use our working capital generated from our daily operation for recruitment. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details on the use of proceeds for strengthening our manpower.

In addition, we also intend to provide more training to our existing and newly recruited staff on occupational health and safety as well as machinery and equipment operation. Such training courses would include internal training as well as courses organised by external parties and training institutions.

Continue to expand our scope of services in repair and maintenance works

In order to provide comprehensive services to our customers, we intend to expand our services in repair and maintenance works and apply for additional licences, permits or qualifications which may be required. For the three years ended 31 March 2018, we have incurred HK\$0.4 million, HK\$3.5 million and HK\$3.7 million for subcontracting expansion joints related works to our subcontractors who are admitted on the Specialist List. Upon Listing, we intend to use our internal resources to apply for admission on the Specialist List (specialist contractor works category – supply and installation of expansion joints for highway structures).

To be eligible for the qualification of the Specialist List (supply and installation of expansion joints for highway structures), the contractor should meet the following major requirements set out in the contractor management handbook published by the Development Bureau: (i) at least three references for projects completed in the past three years with not less than three expansion joints installed; (ii) registration with relevant authorities in Hong Kong such as the Quality Management System Certification and Building Authority; (iii) relevant professional and management experience of management team; (iv) professional and technical staff experience in bridge design and installation of expansion joints; (v) local workforce capable of installing expansion joints; (vi) possess the required plant and equipment, including welding equipment, concrete vibrator, mechanical mortar mixer and concrete cutter; and (vii) satisfactory technical information and method statements. As at the Latest Practicable Date, we have fulfilled the above major requirements.

Strengthen our financial capabilities to undertake more new and larger scale projects

The business nature of our project normally incurs net cash outflows at the early stage of the project when we are required to pay the labour costs as well as set-up expenditure such as prepayment of subcontracting fees, material costs as well as surety bonds. The customers make progress payments after the works commence and such works and payments are generally certified by our customers with a percentage as retention money. The cash flow requirement at the initial stage of our projects constraints the number of and size of projects that we can take at the same time under the currently available resources. In order to undertake more new projects and/or projects with larger scale in terms of contract sum in the future, the Directors intend to apply part of the proceeds from the Listing to improve the cashflow position and expand our capacity to undertake more new projects which depends on the available cashflow position. Going forward, we intend to submit the tender for the subcontract of the management and maintenance term contract of high speed roads in New Territories East and Hong Kong Island and three civil engineering construction projects. It is expected that there will be a cashflow demand for submitting these tenders, in particular, for the payment of surety bonds.

Furthermore, during the Track Record Period, our Directors have given personal guarantee for the performance of Project A6, it is expected that the personal guarantee will be released before Listing and a surety bond will be required to be given in exchange. Our Directors intend to utilise part of the net proceeds from the Share Offer to fulfil the surety bond requirements so as to maintain our operation in the said project.

Our Directors also intend to utilise part of the net proceeds from the Share Offer to meet the financial needs of our projects also allow us to have financial flexibility to undertake more new and larger scale projects in future.

OUR SERVICES

The projects we have undertaken can generally be categorised into (i) repair and maintenance projects; and (ii) civil engineering construction projects.

Repair and maintenance works

Overview of repair and maintenance works for roads and highways

According to the Ipsos Report, the road network in Hong Kong consists of about 2,107 kilometres of public roads and over 4,000 highway structures. A highway structure is a structure for the carriage of vehicles, bicycles and/or pedestrians over such as footbridge, flyover, viaduct, underpass and subway. According to Highways Department, highway structures, such as noise barriers, noise enclosures and road sign gantries, are also considered as highway structures. The roads and highways maintenance service is mainly provided by Highways Department. Since 2004, Highways Department introduced the Management and Maintenance provisions of road network maintenance project which included routine inspections and subsequent repair and maintenance works. These works were previously carried out by in-house staff of Highways Department prior to 2004.

To ensure smooth and good roads and highways condition in Hong Kong, Highways Department sets up a systematic manual to guide the routine inspection, supervision and implementation of roads and highways maintenance works. For example, inspection of tunnels is conducted once every six months. Inspection of highway structures is also conducted regularly.

Highways Department normally publishes their tender notices including upcoming tenders and awarded tenders on its website. The tender notices can be segmented into two main categories, i.e. (i) term contracts; and (ii) non-term contracts. Term contract refers to the roads and highways maintenance works contract. As at the Latest Practicable Date, there are eight ongoing term contracts for roads and highways within the specified existing term, including two high speed roads maintenance contracts, i.e. (i) New Territories West and Kowloon, and roads in Hong Kong Port Area; and (ii) New Territories East and Hong Kong Island, and six road maintenance contracts excluding high speed roads, i.e. (i) Hong Kong Island; (ii) Kowloon West; (iii) Kowloon East; (iv) Sha Tin, Sai Kung and Islands Districts; (v) Tai Po and North Districts; and (vi) New Territories West. Each term contract is generally for a term of six years. Non-term contract refers to construction and improvement works of roads and highways other than term contract works which may include construction of roads, widening of highways, provision and construction of barrier-free access facilities etc.

In general, a roads and highways management and maintenance term contract has the following characteristics:

- (1) a term contract generally lasts for five to six years with continuous works flow during the term;
- (2) works under a term contract are assigned in the form of works orders which are received by the relevant contractors on a daily basis;
- (3) the types of works that are awarded by the Government vary from time to time and subject to the necessities and demands such as wear and tear conditions of different roads, occurrence of traffic accidents and weather conditions;
- (4) certain types of works are granted regularly such as road inspection and road cleansing works orders. Highways Department has its internal guidelines in respect of the periodic cleansing and inspection for different types of roads (e.g. monthly cleansing for covered footbridges, walkways and podium, quarterly cleansing for subways, flyovers and road sign gantries; half-yearly cleansing for underpasses, half-yearly inspection for every highways structures);
- (5) the contract of a term contract normally includes a schedule of rates for each type of works and does not specify the fixed contract sum due to the number and types of works orders received vary from year to year.

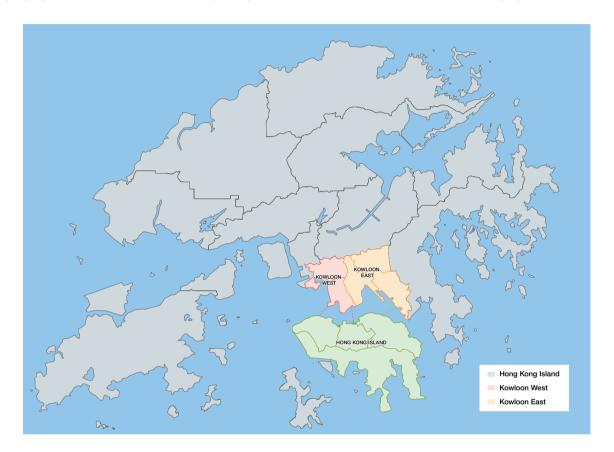
Set out below is a table summarising the particulars of the term contracts awarded by Highways Department to the main contractors from 2012:

Tender reference	Particulars	Main Contractor(s)	Regions (if applicable)	Contract sum (HK\$'000)	Our involvement as subcontractor
Completed					
13/HY/2009 (G.N. 1821)	Management and maintenance of roads in Kowloon West excluding high speed roads 2010 – 2014	China Road and Bridge Corporation – Welcome Construction Company Limited Joint Venture	 Yau Tsim Mong Kok Lai Chi Kok Sham Shui Po 	267,852	Project A10
04/HY/2010 (G.N. 1971)	Management and maintenance of roads on Hong Kong Island excluding high speed roads 2011 – 2017	China Road and Bridge Corporation – Welcome Construction Company Limited Joint Venture	 Central Happy Valley Peak Wanchai Western North Point Southwest Southeast Eastern 	836,000	Project A3 Project A5
07/HY/2011 (G.N. 6907)	Management and maintenance of roads in Shatin, Sai Kung and Islands District excluding high speed roads 2012 – 2018	China Road and Bridge Corporation	 (1) Sai Kung (2) Tseung Kwan O (3) Shatin (4) Island (5) Penny Bay 	472,723	
08/HY/2013 (G.N. 6408)	Management and maintenance of roads in Kowloon East excluding high speed roads 2014 - 2018	Sun Fook Kong (Civil) Limited	 Kowloon Bay Kwun Tong Wong Tai Sin Hung Hom Kowloon City 	342,530	Project A2a Project A2b
Ongoing					
05/HY/2012 (G.N. 7323)	Management and maintenance of high speed roads in New Territories East and Hong Kong Island 2013 – 2019	Gammon - Welcome Joint Venture	N/A	489,527	
09/HY/2013 (G.N. 6409)	Management and maintenance of roads in Kowloon West excluding high speed roads 2014 – 2020	Shun Yuen Construction Company Limited	 Yau Tsim Mong Kok Lai Chi Kok Sham Shui Po 	371,270	Project A6

Tender reference	Particulars	Main Contractor(s)	Regions (if applicable)	Contract sum (HK\$'000)	Our involvement as subcontractor
01/HY/2014 (G.N. 6001)	Management and maintenance of roads in New Territories West excluding high speed roads 2015 – 2021	Shun Yuen Construction Company Limited	(1) Yuen Long(2) Tuen Mun(3) Tsuen Wan(4) Kwai Tsing	631,600	
03/HY/2015 (G.N. 8069)	Management and maintenance of high speed roads in New Territories West and Kowloon, and roads in Hong Kong Port Area 2016 – 2022	China Road and Bridge Corporation	N/A	493,630	
02/HY/2015 (G.N. 8068)	Management and maintenance of roads in Tai Po and North Districts excluding high speed roads 2016 – 2022	Chiu Hing Construction and Transportation Company Limited	(1) North District(2) Tai Po	371,410	
01/HY/2016 (G.N. 5861)	Management and maintenance of roads in Hong Kong Island excluding high speed roads 2017 – 2023	Chiu Hing Construction and Transportation Company Limited	 (1) Central (2) Happy Valley (3) Peak (4) Wanchai (5) Western (6) North Point (7) Southwest (8) Southeast (9) Eastern 	597,870	Project A7a Project A7b
05/HY/2017 (G.N. 7795)	Management and maintenance of roads in Kowloon East excluding high speed roads 2018 – 2024	Sun Fook Kong (Civil) Limited	(1) Kowloon Bay (2) Kwun Tong (3) Wong Tai Sin (4) Hung Hom (5) Kowloon City	482,630	Project A11
06/HY/2017 (G.N. 7796)	Management and maintenance of roads in Shatin, Sai Kung and Islands District excluding high speed roads 2019 – 2025	China Road and Bridge Corporation	(1) Sai Kung (2) Tseung Kwan O (3) Shatin (4) Island (5) Penny Bay	417,720	

Source: Government Logistics Department, HKSAR

During the Track Record Period and as at the Latest Practicable Date, we have been engaged as a subcontractor in three out of the eight term maintenance contracts awarded by Highways Department, i.e. Hong Kong Island, Kowloon West and Kowloon East. Please refer to the paragraph headed "Our projects" in this section for further details of the projects undertaken by us. Set out below are the maps illustrating the geographical distribution of the Hong Kong Island, Kowloon West and Kowloon East projects:



According to the Ipsos Report, it is a common practice for the main contractors of the road and highways maintenance contracts to subcontract part of the works under term maintenance contracts based on the complexity of the contract. These works can be generally categorised into structural works and regional works. In practice, the main contractor normally appoints one subcontractor responsible for the structural works and several subcontractors for regional works, given the structural works generally demand a higher level of skill and expertise.

Repair and maintenance works undertaken by us

Our direct customers are principally main contractors and subcontractors of different types of public civil engineering projects in Hong Kong.

For our repair and maintenance projects, we entered into fixed-term contracts ranging from one to six years with our customers. Our customers assign repair and maintenance works to us in the form of works orders which they directly receive from the relevant Government department. For some of our projects, our site agents attend the Government office to receive works orders on our customers' behalf.

The common types of repair and maintenance works undertaken by us can be categorised into structural works and regional works. Structural works mainly include (i) routine cleansing and inspection; (ii) replacement and repair works of highway structures such as expansion joints and bearings, steel roof cladding, crash cushion and steel parapet; (iii) replacement, repair and demolition of road signs; (iv) painting and application of protective coating; and (v) concrete pavement and repair. Regional works refer to public roads' maintenance works within a specified district or region such as (i) inspection and general maintenance; (ii) pavement of carriageway and walkpath (iii) installation of street furniture; and (iv) antiskid dressing.

The pictures below illustrate some of the structural works and regional works undertaken by us:-

Structural works



Cleansing of flyover



Replacement and repair of steel roof cladding on footbridge



Replacement and repair of steel parapet



Demolition of road sign gantry



Painting of footbridge



Replacement and repair of expansion joint



Replacement and repair of crash cushion



Replacement and repair of road sign gantry



Painting of flyover

Regional works



Pavement of concrete road



Repairing of road surface



Pavement of bituminous road

Apart from repair and maintenance works for roads and highways, we were also awarded with contracts to carry out slope maintenance works. Works orders under such contracts include installation of soil nails, weepholes and erosion control mat; modification of slope drainage channels and catchpits; and removal and planting of trees.

Others

Other than structural and regional works granted by the Highways Department, we also provide repair and maintenance works such as sewerage works, maintenance of slopes and road reinstatement and painting works to other Government departments and public bodies including the DSD, AFCD, WSD and a non-governmental organisation responsible for management and maintenance of cemeteries.

Civil engineering construction works

We also carry out civil engineering construction works for different Government departments including Highways Department and CEDD. During the Track Record Period, we were engaged in various types of civil engineering construction works including the construction of sewerage, waterworks and barrier-free access facilities which consist of lift towers, ramps, footbridges and link bridges to existing footbridges. Our services include demolition works, site formation, construction of foundation of lift towers, shelter for footbridges, construction of structure and installation of pipes. We are also responsible for the structural calculation and drawings, procurement of materials, site supervision, management of subcontractors and overall project management.



Construction of footbridge



Installation of concrete pipes for sewerage system



Construction of lift tower

LICENCES, PERMITS AND QUALIFICATIONS

During the Track Record Period, we acted as subcontractor to our customers in all projects undertaken. To the best knowledge, information and belief of our Directors, all projects we undertook during the Track Record Period had one or more contractors registered with Buildings Department or Development Bureau or any other authorities (as the case may be).

We have obtained various registrations and qualifications in respect of our services. As at the Latest Practicable Date, we held the following registrations in respect of our business operation in Hong Kong:

Relevant Government departments or public organisation	Category	Holder	Date of first registration	Expiry date for existing licence
CIC	Registered subcontractor for demolition, foundation and piling, reinforcement bar fixing, scaffolding, structural steelworks, general civil works, other structural and civil trades, marble, granite and stone works, painting, metal works and other finishing trades and components (signage and graphics) (note 1)	TMD	13 December 2010	12 December 2018
CIC	Registered subcontractor for demolition, general civil works, other structural and civil trades (note 1)	TMC	24 July 2016	23 July 2023
AFCD	Supplier list Category L - Grass cutting (note 2)	TMD	29 May 2017	N/A
FEHD	Supplier's list for cleansing services; paint, enamels, lacquers, varnishes; grasscutting services; and turfing, topsoil & subsoil (note 3)	TMD	23 May 2017	N/A
HAD	District List of HAD approved contractors (Tsuen Wan District) (note 4)	TMD	15 May 2018	14 May 2019

Notes:

- (1) Subcontractors engaged for public sector works shall be registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme. For further details, please refer to the section headed "Regulatory Overview-Laws and Regulations in relation to Contractor licensing and registration Subcontractor Registration Scheme" in this prospectus.
- (2) The application for inclusion in AFCD Suppliers list is voluntarily made by TMD to receive invitations to quotations issued for the provision of grasscutting services as AFCD suppliers, as and when opportunities arise.
- (3) The application for inclusion in the list of FEHD suppliers is voluntarily made by TMD in order to receive notification on tender issued for the supply of categories of services for which TMD has been included, as and when opportunities arise.
- (4) As an approved contractor, we are eligible for tendering projects from HAD as a main contractor.

Set out below are the registrations and qualifications that we are currently applying for:

Relevant Government departments or public organisation	Category	Applicant	Month of application
WBDB (Note 1)	Approved Contractors for Public Works – Roads and Drainage – Group A (Probation) (Note 2)	TMD	June 2017

Note:

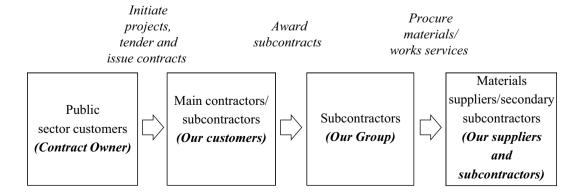
- (1) The Development Bureau has maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Government contracts.
- (2) A Group A (probation) contractor may tender for any number of Group A contracts (i.e. contracts of value up to HK\$100 million) in the same category, provided the total value of works in the Group A contracts that it already holds and the Group A contract being procured under the same category does not exceed HK\$100 million. Upon successful registration, we will be eligible for tendering projects as a main contractor in this category.

To the best knowledge of our Directors, the application process for Group A (probation) registration with the WBDB normally over a year, part of the approval process includes enquiries and verifications on the working parties references provided by us within Government departments and the private business sector.

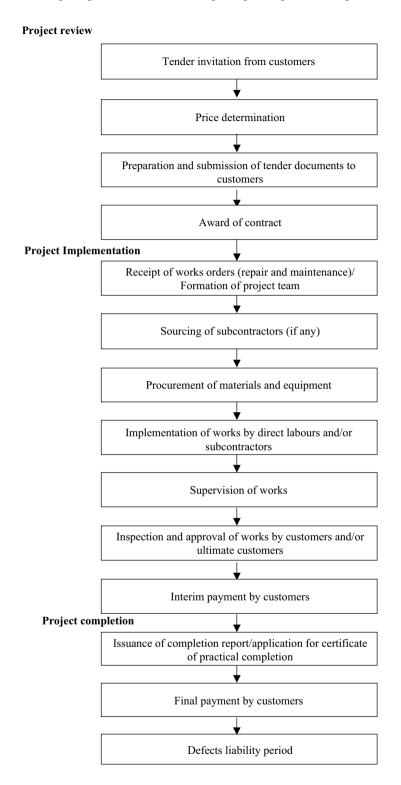
As confirmed by our Hong Kong Legal Adviser, we have complied with the applicable rules, laws and regulations in obtaining the necessary licences and registrations to conduct our operations in Hong Kong during the Track Record Period and as at the Latest Practicable Date. Our Directors confirm that we had not experienced any material difficulties in obtaining and/or renewing such licences, permits, consents and approvals. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents and approvals.

OUR BUSINESS MODEL AND OPERATION

The following diagram illustrates our role as a subcontractor, as compared with our customers who are main contractors or subcontractors, and our suppliers and subcontractors in our projects:



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



Project review

Tender Invitation and preparation of tender documents

Our contract department, led by our executive Directors Mr. Ha and Mr. Ip, is responsible for the tendering process. The tendering procedures for both repair and maintenance projects and civil engineering construction projects are similar. We receive invitations to submit tender and price quotation from our customers once they are awarded with the contracts from the Government or the main contractors. For certain of our repair and maintenance projects, only parties invited are allowed to submit tenders. Our contract department will then review the scope and complexity of works, time schedule and other terms of contract to determine whether we are capable of carrying out the works required from the perspective of the licences, resources and funding that we possess. If specialist subcontractors are required in the tender, we will ensure that we and our subcontractors as a working team possess the requisite licences and registrations under the projects. We may also conduct onsite visit to gain a better understanding of the conditions of the site when necessary.

In the event that we consider the project commercially viable, our contract department will prepare tender documents for submission. Our tender documents generally include (i) form of tender; (ii) schedule of rates (for repair and maintenance works) or bill of quantities (for civil engineering construction works); and (iii) summary of tender.

Price determination

Most of our repair and maintenance contracts are term contracts which contain, among other things, schedule of rates that are based on the agreed unit rates of different types of works orders to be carried out in the project. We are paid based on actual number of works orders completed by us in the project, which normally are subject to the inspection and certified by our customer upon submission of completion reports. Our tender was prepared based on the schedule of rates for repair and maintenance projects. For civil engineering constructor projects, our tender prices are based on a cost plus model with reference to the time and costs estimated to be involved.

When preparing for the price quotation, we gather information from our different departments. Such information includes manpower required, availability of site equipment and previous costs figures for carrying out similar types of works. We may also obtain preliminary quotations from our suppliers and subcontractors to facilitate our estimation. From this information, we are able to generate an estimated project cost. Our Directors then determine the mark-up margin to strike a balance between making a competitive tender price against our competitors and maintain a reasonable gross profit margin of the projects which formulates the final tender price. Repair and maintenance works are charged based on the schedules of rates, whereas civil engineering construction works are charged depending on the bills of quantities. Under the contracts with our customers, there are provisions allowing our customers to issue variation orders works which are outside the scope stipulated in the contracts. In such cases, the value of the variation works shall be determined by similar works performed under the contract or as determined by both parties after performing measurements and evaluation on the variation works.

The time required for preparing a tender document varies from case to case, which depends on each project's specific requirements and complexity. Normally, it takes around three to four weeks to complete the tender process. Our tender is generally valid for around three to six months.

After tender and/or quotation submission, the customer may by way of interviews or enquiries clarify with us the particulars of the tender or quotation. Based on the tender and/or quotation we submitted, our customer may further negotiate with us on the commercial and technical terms. For certain projects, our customers may require our Directors to give personal guarantee for due performance of the projects or to take out surety bonds. During the Track Record Period, there was one project undertaken by us that required personal guarantee.

Upon acceptance of our tender/quotation, the customer then confirms the awards of contract to us in the form of letter of acceptance, or enters into a formal contract with us.

Project implementation

Receipt of works orders - repair and maintenance works

Our repair and maintenance projects are secured by term contracts while the details of the works are normally specified in the works orders instead of the contracts. We carry out works based on the works orders our site agents received from the Government departments on behalf of our customers. After receiving the works orders, we will arrange our direct labours or subcontractors to perform the works within the timeframe set out in the works orders.

Formation of project team

Once we are awarded with a term contract or on one-off project, we will form a project team led by our executive Directors. A project team normally consists of a project manager, site agents, a site engineer, safety officers, safety supervisors, foremen and other site workers.

Project manager

Our project managers generally possess bachelor's degree in engineering. A project manager is responsible for a wide range of duties, including monitoring and supervising our projects, communicating with customers and subcontractors, reviewing tenders and contractual documents, carrying out and reviewing technical activities and establishing and implementing corrective and preventive measures. Our project manager directly reports to our executive Directors on contract management, project status and issues, and attend progress meetings to report the project progress to our customers.

Site agent

Our site agent is mainly responsible for receiving works orders from the Government, liaising with our customers and subcontractors, compiling completion reports for Government departments' approval after completion of works, making applications for interim payments, solving technical issues on works orders, making decisions on materials procurement and coordinating with different parties regarding the implementation of works orders. Our site agent reports to our project manager on issues on works orders.

Site engineer

Our site engineer is mainly responsible for solving on-site engineering issues, supervising actual implementation of works and liaising with our customers, subcontractors and Government departments on engineering aspects. Our site engineer reports to our site agent and project manager on engineering related issues.

Safety officer

Our safety officer has completed various courses on occupational safety including the safety training techniques course and safe working cycle course organised by the CIC. A safety officer is mainly responsible for assisting our customers' registered safety officer in monitoring our safety department, attending and conducting on-site safety and environmental meetings, ensuring on-site compliance with safety requirements and conducting induction safety training for new workers before commencement of works and continuous safety trainings to existing workers.

Safety supervisor

Our safety supervisor is mainly responsible for assisting the safety officer in the daily operation of the safety department, filling in daily routine checklists to ensure that the safety specifications are complied with, conducting daily on-site inspection and providing assistance in safety trainings.

Foreman

Our foreman is mainly responsible for managing our on-site workers to carry out works orders, handling on-site human resources issues, coordinating with different parties regarding worker assignments and coordinating with our site engineer and site agent regarding on-site activities. Our foreman reports to our site agent on any on-site issues.

Sourcing of subcontractors

Depending on the availability of our labour resources and the nature of works involved, we may subcontract certain of our works to our subcontractors. Some of our subcontracted works require specific licences and skills such as site formation, piling, road marking, replacement of expansion joints and installation of electric components. Other works which do not require specific qualifications, such as painting and cleansing, may also be subcontracted out for the purposes of better allocation of our resources and alleviation of our tight labour supply. We maintain our approved list of subcontractors. For details of our selection criteria, please refer to the paragraph headed "Subcontractors – Basis of selecting subcontractors" in this section. In some projects, the specialist subcontractors such as expansion joints specialists may be engaged by our customers, i.e. main contractors, on our behalf in the relevant projects. Please refer to the paragraph headed "Customers – Contra charge arrangement with our customers" in this section for further details.

Procurement of materials and equipment

The key construction materials that we purchase for our repair and maintenance projects include paint, asphalt, concrete and repair mortar. We procure formwork, steel reinforcement bars, structural steel and concrete for our civil engineering construction projects. We estimate the amount of materials to be ordered, and specify the location, delivery time and quantity to our suppliers. Generally, we request our suppliers to provide quotations of materials during the preparation of our tender documents. If we are awarded with the contract, we will follow-up with our suppliers who have previously quoted us with competitive pricing and confirm other terms accordingly. Unless specified by our customers, we usually select our suppliers from our internal list of approved suppliers. As for the equipment needed, they are either procured or rented. For details of the equipment used, please refer to the paragraph headed "Machinery" in this section.

For works subcontracted to our subcontractors, our subcontractors are normally responsible for procuring their own materials for carrying out their works. In some projects, concrete may be purchased by our customers for our use in the relevant projects. Please refer to the paragraph headed "Customers – Contra charge arrangement with our customers" in this section for further details.

Implementation of works by our direct employees and/or our subcontractors

Depending on the required expertise, resources level, cost effectiveness and the complexity of the project, we may subcontract certain parts of our works to our subcontractors. Some of our subcontracted works require specific licences and skills such as works in relation to site formation, piling, road marking, replacement of expansion joints and installation of electric components. Other works that do not require specific qualifications such as painting and cleansing may also be subcontracted out for the purposes of better allocation of our resources and alleviation of our tight labour supply. The agreement between our subcontractor and us generally contains key terms and conditions including the scope of works, completion date, defects liability period etc. that are mirrored to those contained in the agreement between us and our customer. For details on our subcontracting arrangement, please refer to the paragraph headed "Subcontractors" in this section.

Supervision of works

Our site agent monitors the overall on-site work progress and reports to the project manager regarding any risks of delay or non-compliance of works. Our foreman supervises the workers in performing the constructions works. Such supervision and inspection are carried out on an ongoing basis.

Inspection and approval of works by our customers

In addition to our inspection as described above, our customer also inspects our works from time to time in order to confirm and certify completion of the relevant works orders or stage of completion before issuance of interim payment certificates. Upon completion of such inspection, our customer may issue a report specifying defects that need to be rectified by us (if any).

Variation Order

Depending on the terms and conditions of the contracts, our customers may give instructions to vary the contract works which we are generally obliged to follow. Such variation orders could be addition, modification or cancellation of the contract works. The value of the variations, in particular the addition or modification of contract works, is generally ascertained with reference to similar works performed under the contract or as determined by both parties after performing measurements and evaluation on the variation works. The total contract sum of the relevant project will then be adjusted accordingly.

In our repair and maintenance projects, additional works conducted by us under variation orders include thematic beautification works, demolition of damaged sign gantry and supply and application of carbon fibre reinforced polymer that were not specified in the schedule of rates provided in the tenders. As for civil engineering construction projects, variation orders include trial drilling for minipiles, planting and removal of trees and addition of drainage system.

The progress of the additional works under the variation orders will generally be reflected in our payment application of the relevant month submitted to our customer. Payment for the completed works under the variation orders are also subject to customer's certification process.

Interim payment by customers

We recognise our revenue based on the stage of completion of our works. Generally, we submit payment applications or invoices to our customers on a monthly basis in accordance with the value of works undertaken by us, for both repair and maintenance projects and civil engineering construction projects. For repair and maintenance projects, our payment application usually has the certified completion report of the relevant works orders attached for our customers' submission to the relevant Government departments. For both our repair and maintenance projects and civil engineering construction projects, upon receiving our payment application, our customers will in turn apply to the relevant Government departments based on our payment application and the Government department will issue a payment certificate certifying the portion of works completed after inspection. It generally takes one month to ten months for the Government to issue payment certificates. Once the Government department is satisfied with the payment application, an (interim) payment certificate will be issued to our customers.

As our payment application is subject to our customers' payment application to the relevant Government departments, there is normally a timing difference between completion of works and the issuance of (interim) payment certificates. In such case, we recognise revenue based on stage of completion with reference to our payment application (which would make reference to the amounts of our completed works orders during the relevant period). The credit term granted to our customers depends on the terms agreed between our customers and us and is generally 30 to 45 days from the date of the payment certificate.

We keep proper record of interim payment applications submitted and payment received and will follow up with our customers for any outstanding payments on a timely basis. Our accounting department will notify our senior management for any outstanding payments when the credit periods have lapsed, then our senior management will liaise with our customers to follow up with the settlement of the payment.

Project completion

Issuance of completion report/application for certificate of practical completion

For repair and maintenance projects, we issue completion report upon completion of the works orders for certification and interim payment application on a monthly basis in accordance with the number of certified completion reports in the month. After the expiration of the term contact, our project manager/site agent will calculate the outstanding number of completed works orders that we have not applied for payment certificates. We will issue the relevant completion reports and a final payment application in this regard for the issuance of the final payment certificate. A repair and maintenance contract is regarded as completed at the time when the term contract expires.

For civil engineering construction projects, once we have completed the entire project, we will apply for a certificate of practical completion from our customer. A civil engineering construction contract is normally regarded as practically completed when (i) the works under the contract have been duly completed as verified by our customer after inspection; (ii) there is no apparent defect; and (iii) maintenance or defects liability period commences. We normally receive final payment and 50% of the retention money from our customers within 9 months from the date of issuance of certificate of practical completion. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any material disputes with our customers in ascertaining the status and completion of a project.

The final settlement is usually settled after the credit period, which is typically 30 days, and becomes overdue by the time we receive the settlement. Please refer to the section headed "Financial Information – Discussion of certain combined statements of financial position items – Trade and other receivables – Trade receivables" in this prospectus for further details.

In our contracts with our customers, there is usually a contract term for the customers to withhold retention money from us. In general, our customers may retain 3% to 10% of the interim payment for repair and maintenance projects and up to 5% of the contract sum for civil engineering construction works projects as retention money for a project. The terms and conditions in relation to the release of retention monies vary from contract to contract. Depending on the terms of the contracts, the retention money will be released to us upon a pre-agreed period, which is generally 12 months after completion of works or upon the expiration of the defects liability period. As at 31 March 2018, our retention receivables, which represent the retention monies held by the customers for contracted works, amounted to approximately HK\$6.2 million.

Beginning of defects liability period

Most of our contracts contain a defects liability period, during which we are responsible to rectify any works defects. The defects liability periods for repair and maintenance works usually correspond to the period specified in the main contract between our customers and the relevant Government department, whereas the defects liability periods of civil engineering construction works are usually 12 months. During the period, we are required to rectify the defective works at our own expense unless such defect is caused by the act, neglect or default of our customers.

Our subcontractors are generally required to maintain and rectify defects in their works within 12 months after they complete the subcontracted works. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material claim from our customers in respect of any works defects, and therefore we have not made any provision for repair and maintenance costs in respect of defective works.

Seasonality

During the Track Record Period, our revenue derived from repair and maintenance projects and civil engineering construction projects combined was generally lower from April to September compared with other months of the year due to the rain and typhoon seasons. Our work progress was hindered on the days with adverse weather conditions leading to a lower percentage of completion of works and ultimately a lower amount of revenue. We expect that our results of operations will continue to fluctuate from period to period as they may be affected by weather conditions.

OUR PROJECTS

During the Track Record Period, we have undertaken (i) repair and maintenance projects for roads and highways and other infrastructures such as slopes; and (ii) civil engineering construction projects. In respect of repair and maintenance projects, they are term contracts normally for a duration ranging from one to six years. As for our civil engineering construction works, they are normally one-off projects. The duration of the projects usually ranged from two to four years, depending on the complexity of the works undertaken.

As at the Latest Practicable Date, we have completed six repair and maintenance projects and two civil engineering construction projects. As at the Latest Practicable Date, we have six ongoing repair and maintenance projects and two ongoing civil engineering construction project.

Repair and maintenance projects

Completed repair and maintenance projects

The following table sets out the brief details of our major repair and maintenance projects completed since incorporation and up to the Latest Practicable Date with ascending order by completion date:

Project			Project period	Responsible Government department or		Trac	recognised duri k Record Perio ear ended 31 N	ď	Accumulated revenue recognised during the Track Record
Code	Types of works	Project location	(note 1)	public body	Customer	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	Period HK\$'000
Project A1	Sewerage works	Clear Water Bay Road, Pik Shui Sun Tsuen and West of Sai Kung Town	7 April 2014 to 31 October 2015	DSD	Customer A (note 2)	3,062	-	-	3,062
Project A2a	Management and maintenance of roads (regional works) (note 6)	Kowloon East	1 August 2014 to 31 March 2016	Highways Department	Customer C (note 3)	6,259	-	-	6,259
Project A2b	Management and maintenance of roads (regional works) (note 6)	Kowloon East	1 October 2015 to 31 March 2018	Highways Department	Customer E (note 5)	3,301	2,343	1,507	7,151
Project A3	Management and maintenance of roads (structural works)	Hong Kong Island	1 April 2011 to 31 March 2017	Highways Department	Customer A (note 2)	21,238	30,689	-	51,927
Project A5	Maintenance of slopes in country parks	Hong Kong Island, Kowloon and New Territories	28 May 2016 to 27 November 2017	AFCD	Customer B (note 4)	-	5,762	4,054	9,816
Project A10	Management and maintenance of roads (structural works)	Kowloon West	1 April 2010 to 31 March 2014	Highways Department	Customer A (note 2)	-	-	-	-

Notes:

- (1) The period covers the duration of our works with reference to the commencement dates and completion dates as set out in the contracts between our customers and us. Such period does not include defects liability period.
- (2) For both the two years ended 31 March 2017, Customer A ranked first in terms of revenue contributed respectively.
- (3) For the year ended 31 March 2016, Customer C ranked third in terms of revenue contributed.
- (4) For the two years ended 31 March 2017, Customer B ranked second and third in terms of revenue contributed respectively.
- (5) For both the two years ended 31 March 2017, Customer E ranked fifth in terms of revenue contributed respectively.
- (6) The regional works of this project covered Kowloon Bay.

Ongoing repair and maintenance projects

As our repair and maintenance project works are generally assigned to us by works orders received from the relevant Government department or public body from time to time, the contracts of the relevant projects normally include a schedule of rates for each type of works only and do not specify the total contract sum. The revenue generated in each financial year depends on the actual works orders received and therefore there is no estimation on the outstanding contract sum for our ongoing repair and maintenance projects. The following table sets out the brief details of our major ongoing repair and maintenance projects as at the Latest Practicable Date:

Project			Project period	Responsible Government department or		Track	ecognised duri x Record Perio ear ended 31 N	d	Accumulated revenue recognised during the Track Record
Code	Types of works	Project location	(note 1)	public body	Customer	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	Period HK\$'000
Project A4	Road reinstatement and painting	New Territories East	14 January 2017 to 31 August 2018 (note 2)	WSD	Customer I (note 3)	-	667	18,963	19,630
Project A6	Management and maintenance of roads (structural works)	Kowloon West	1 November 2015 to 30 June 2020	Highways Department	Customer D (note 4)	5,610	18,081	18,197	41,888 (note 9)
Project A7a	Management and maintenance of roads (structural works)	Hong Kong Island	8 June 2017 to 31 March 2023	Highways Department	Customer G (note 5)	-	-	11,388	11,388 (note 10)
Project A7b	Management and maintenance of roads (regional works) (note 7)	Hong Kong Island	8 June 2017 to 31 March 2023	Highways Department	Customer K	-	-	4,124	4,124
Project A9	Upgrading works for slopes and retaining walls	Tsuen Wan Cemetery	18 May 2017 to 31 May 2019	A non- governmental organisation responsible for management and maintenance of cemeteries	Customer H (note 6)	-	-	16,426	16,426
Project A11	Management and maintenance of roads (regional and structural works) (note 8)	Kowloon East	1 April 2018 to 31 March 2024	Highways Department	Customer L	-	-	-	(note 11)

Notes:

- (1) The period covers the duration of our works with reference to the commencement dates and the expected completion dates of works as set out in the contracts between our customers and us. Such period does not include defects liability period.
- (2) Rectification works are still on going and the Directors expect that the works will complete by the end of September 2018.
- (3) For the year ended 31 March 2018, Customer I ranked first in terms of revenue contributed.

- (4) For the three years ended 31 March 2018, Customer D ranked fourth, second and second in terms of revenue contributed respectively.
- (5) For the year ended 31 March 2018, Customer G ranked fifth in terms of revenue contributed.
- (6) For the year ended 31 March 2018, customer H ranked third in terms of revenue contributed.
- (7) The regional works of this project covered the whole Hong Kong Island.
- (8) The regional works of this project covered Kowloon Bay and Kwun Tong.
- (9) As at 31 August 2018, we have received 52 works orders from Project A6 which are expected to generate approximately HK\$10.1 million of revenue for the year ending 31 March 2019.
- (10) As at 31 August 2018, we have received 33 works orders from Project A7a which are expected to generate approximately HK\$26.4 million of revenue for the year ending 31 March 2019.
- (11) The project was awarded in March 2018. As at 31 August 2018, we have received 69 works orders from Project A11 which are expected to generate approximately HK\$17.8 million of revenue for the year ending 31 March 2019.

Civil engineering construction projects

Completed civil engineering construction projects

The following table sets out the brief details of our major civil engineering construction projects completed since incorporation and up to the Latest Practicable Date:

									Accumulated		Outstanding
									revenue		contract sum
									recognised		not yet
			Responsible			Revenue	recognised du	ring	during the		recognised as
			Government		Contract	the Track	Record Period	(HK\$)	Track	Contract	at 31 March
		Project period	department or		sum	For the y	ear ended 31 M	Iarch	Record	sum	2018
Types of works	Project location	(note 1)	public body	Customer	(note 2)	2016	2017	2018	Period	reduction	(note 2)
					HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of	Kowloon and Hong	16 July 2013 to	Highways	Customer L	48,547	-	-	-	-	40,444	-
barrier-free	Kong Island	31 July 2014	Department							(note 4)	
access facilities											
for highway											
structures											
Construction of lift	Tin Shui Wai	12 May 2015 to	Highways	Customer B	31,348	11,472	9,554	1,108	22,134	9,214	-
and staircase to		9 November	Department	(note 3)					(note 5)	(note 5)	
footbridge		2017									
	Provision of barrier-free access facilities for highway structures Construction of lift and staircase to	Provision of barrier-free access facilities for highway structures Construction of lift and staircase to Kowloon and Hong Kong Island Tin Shui Wai	Types of works Project location (note 1) Provision of Kowloon and Hong barrier-free Kong Island 31 July 2014 access facilities for highway structures Construction of lift Tin Shui Wai 12 May 2015 to and staircase to 9 November	Project period department or public body Provision of barrier-free access facilities for highways structures Construction of lift and staircase to Survey and Surve	Provision of Kowloon and Hong barrier-free access facilities for highways structures Construction of lift and staircase to the staircase to t	Types of works Project location Project period department or sum Types of works Project location (note 1) public body Customer (note 2) HKS'000 Provision of Kowloon and Hong barrier-free Kong Island 31 July 2014 Department access facilities for highway structures Construction of lift Tin Shui Wai 12 May 2015 to Highways Customer B 31,348 and staircase to 9 November Department (note 3)	Contract Contract Contract Track Sum For the y	Contract Contract Contract Contract Contract Sum For the year ended 31 M	Project period Proj	Responsible Responsible	Responsible Responsible

Notes:

(1) The period covers the duration of our works with reference to the commencement dates and the expected completion dates of works based on the duration of works as set out in the contracts between our customers and us. Such period does not include defect liability period.

- (2) The contract sum is based on the contract(s) between our customer and us but does not include additions and modifications due to subsequent price adjustment or variation orders such that the final revenue recognised from a contract may be different from the contract sum.
- (3) For the two years ended 31 March 2017, Customer B ranked second and third in terms of revenue contributed respectively.
- (4) Project B1 was terminated after discussion between TMD and Customer L. Prior to the termination of the project, we had performed certain preliminary works which included (i) implementation of temporary traffic arrangement; (ii) site investigation; and (iii) underground utilities diversion. Our Directors considered the project not profitable after performing such preliminary works as they anticipated the continuation of the project would involve unexpected additional costs and labour. These additional costs were as a result of (i) unforeseeable additional requirements from the police on temporary traffic arrangement such as but not limited to more escort vehicles and cones compared to the stated quantity on approvals; (ii) unexpected complicated ground conditions such as unanticipated large amount of boulders appeared which would lead to longer time and higher cost to remove such boulders; and (iii) additional amount of underground utilities lines that need to be diverted before the commencement of lift tower construction. As a result, Project B1 was terminated in July 2014 after discussion with Customer L. No damage was required to be paid by us.
- (5) The contract sum reduction in Project B2 for the amount of approximately HK\$9.2 million was primarily due to modifications and variation of works such as cancellation of preliminary works (for instance, erection of metallic site hoarding), reduction in required quantity as compared to the estimated quantity in the contract and adjustment for price fluctuation.

Ongoing civil engineering construction projects

The following table sets out the brief details of our ongoing civil engineering construction project as at the Latest Practicable Date:

										Accumulated		Outstanding
										revenue		contract sum
										recognised		not yet
				Responsible			Revenue	e recognised du	ring	during the		recognised as
				Government		Contract		Record Period	-	Track	Contract	at 31 March
			Project period	department or		sum		ear ended 31 N		Record	sum	2018
Project Code	Types of works	Project location	(note 1)	public body	Customer	(note 2)	2016	2017	2018	Period	reduction	(note 2)
•		·	,	. ,		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Project B3	Construction of lift	Hung Hom, Tai Po	8 August 2016 to	CEDD	Customer F	50,845	-	6,241	15,452	21,693	-	29,152
	and ramp to footbridge	Road, Choi Wan, Fung Tak	29 January 2020		(note 3)							(note 4)
Project B4	Road widening,	Yau Tong Inland	1 April 2018 to	-	Customer M	8,580	_	-	-	-	-	-
	utilities &		29 April 2019	(note 5)								(note 6)
	services,											
	diversion and											
	connection for											
	proposed											
	residential											
	development											

Notes:

(1) The period covers the duration of our works with reference to the commencement dates and the expected completion dates of works based on the duration of works as set out in the contracts between our customers and us. Such period does not include defects liability period.

- (2) The contract sum is based on the contract(s) between our customer and us but does not include additions and modifications due to subsequent price adjustment or variation orders such that the final revenue recognised from a contract may be different from the contract sum.
- (3) For both the two years ended 31 March 2018, Customer F ranked fourth in terms of revenue contributed.
- (4) As at 31 August 2018, approximately HK\$7.2 million was recognised as revenue and the outstanding contract sum as at 31 August 2018 was approximately HK\$21.9 million, of which approximately HK\$12.0 million is expected to be recognised for the year ending 31 March 2019.
- (5) This is private sector civil engineering project.
- (6) Contract has not yet commenced as at 31 March 2018. As at 31 August 2018, approximately HK\$1.4 million was recognised as revenue and the outstanding contract sum as at 31 August 2018 was approximately HK\$7.2 million, of which approximately HK\$4.8 million is expected to be recognised for the year ending 31 March 2019.

The following table sets out the number of tenders we submitted for repair and maintenance works and civil engineering construction works, and the respective, tender success rates during the Track Record Period:

		For the year ended 31 March								
	2016		2017		2018					
	No. of		No. of		No. of					
	tenders	Success	tenders	Success	tenders	Success				
	submitted	rate	submitted	rate	submitted	rate				
Repair and maintenance										
projects	2	100%	Nil	N/A	2	100%				
Civil engineering										
construction projects	15	13.3%	2	0%	3	33.3%				

After the Track Record Period and as at the Latest Practicable Date, we have submitted three tenders for civil engineering construction projects pending acceptance. Our Directors expect to receive the tender results in around October 2018.

Tendering strategy

We mainly tendered for roads and highways management and maintenance contracts with Highways Department in Kowloon and Hong Kong Island during the Track Record Period as we have familiarised ourselves with the road conditions and requirements in those areas during the period. Going forward, we will continue to maintain our market position by focusing on these areas for both structural and regional works. Since our establishment, we have secured two consecutive terms for Kowloon West management and maintenance term contracts for structural works, two consecutive terms for structural works and regional works in Hong Kong Island and two consecutive terms for regional works in Kowloon East – Kowloon Bay. In March 2018, we have also secured the management and maintenance term contract for structural works in Kowloon East and regional works in Kowloon East – Kwun Tong in addition to our existing Kowloon Bay regional works term contract.

Since 2013, we have also been engaging in the provision of civil engineering construction works. We are registered as an approved contractors of HAD in Tsuen Wan District on a probationary status with effect from 15 May 2018. Going forward, we plan to undertake more civil engineering construction projects. We are currently applying for registration as an approved contractor for public works – roads and drainage – Group A (probation) with the WBDB. Upon successful registration with the Group A contractor list, we will be able to tender for projects in the capacity as a main contractor for civil engineering construction projects for contract sum not more than HK\$100 million. For details of our application, please refer to the section headed "Business – Licences, permits and qualifications" in this prospectus.

SALES AND MARKETING

During the Track Record Period, our business opportunities for both repair and maintenance works and civil engineering construction works arose from our customers' invitation for tender or request for price quotation. We have established relationships with our existing customers and do not rely on marketing and promotional activities to secure new projects. Generally, once our customers have secured the main contracts with the relevant Government departments or subcontracts from the main contractors, they would approach us and invite us to submit tender prior to the official announcement of their respective engagement. We have registered with the Subcontractor Registration Scheme of the CIC, a scheme under which our name is posted on a website which is readily accessible by the public and thus enhance our visibility.

We currently do not maintain a sales and marketing team. Our executive Directors, Mr. Ha and Mr. Ip, are generally responsible for maintaining our relationships with our customers and keeping abreast of market developments and potential business opportunities.

CUSTOMERS

During the Track Record Period, our customers primarily include main contractors and subcontractors of various types of public civil engineering projects in Hong Kong. For the three years ended 31 March 2018, our total revenue amounted to approximately HK\$52.8 million, HK\$73.6 million and HK\$91.8 million respectively.

Set out below is a breakdown of our revenue derived from main contractor customers and subcontractor customers during the Track Record Period:

		Fo	or the year end	ed 31 March		
	2016	2017		2018		
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractors	41,382	78.3	70,327	95.6	38,811	42.3
Subcontractors	11,465	21.7	3,242	4.4	52,953	57.7
Total	52,847	100.0	73,569	100.0	91,764	100.0

Major customers

For the three years ended 31 March 2018, our largest customer accounted for approximately 46.0%, 41.7% and 20.7% of our revenue respectively while our five largest customers accounted for approximately 96.4%, 98.8% and 87.6% of our revenue respectively. Our Directors confirm that we have not encountered any material dispute with our customers during the Track Record Period.

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

For the year ended 31 March 2016:

Rank	Customer	Background of customer	Types of works undertaken by us for the customer during the Track Record Period	Approximate years of business relationship with us as at the Latest Practicable Date	Credit term	Payment method	Revenue derived from the customer HK\$'000	Percentage of total revenue %
1	Customer A (note 1)	A main contractor of Highways Department and DSD projects	(i) Management and maintenance of roads (structural works); and(ii) sewerage works	8	30 days	By telegraphic transfer	24,300	46.0
2	Customer B (note 2)	A main contractor of Highways Department and AFCD projects	Construction of lift and staircase to footbridge	3	45 days	By cheque	11,472	21.7
3	Customer C (note 3)	A subcontractor of Highways Department projects	Management and maintenance of roads (regional works)	4	30 days	By cheque	6,259	11.8
4	Customer D (note 4)	A main contractor of Highways Department projects	Management and maintenance of roads (structural works)	3	15 days	By telegraphic transfer	5,610	10.6
5	Customer E (note 5)	A subcontractor of Highways Department projects	Management and maintenance of roads (regional works)	4	30 days	By cheque	3,301	6.3
Five lar	gest customers combined	1					50,942	96.4

Notes:

(1) For both the two years ended 31 March 2017, Customer A ranked first in terms of revenue contributed. Customer A is a Hong Kong company which is principally engaged in the business of undertaking civil engineering works relating to roads and drainage and waterworks in Hong Kong. Customer A formed a joint venture which is currently the main contractor of one management and maintenance contract with Highways Department.

- (2) For the two years ended 31 March 2017, Customer B ranked second and third in terms of revenue contributed respectively. Customer B is a Hong Kong company which principally provides consultancy and engineering contractor services in Hong Kong and Macau. It specialises in utilities installation, infrastructure construction, trenchless technologies and civil and building services engineering for public and private projects. It is a wholly-owned subsidiary of a company listed in Hong Kong.
- (3) For the year ended 31 March 2016, Customer C ranked third in terms of revenue contributed. Customer C is a Hong Kong company which is principally engaged in the provision of construction engineering works.
- (4) For the three years ended 31 March 2018, Customer D ranked fourth, second and second in terms of revenue contributed respectively. Customer D is a Hong Kong company which is principally engaged in undertaking civil engineering works including roads and drainage works, site formation works, general building works, waterworks, slope works and public utilities works. Customer D is currently the main contractor of two management and maintenance contracts with Highways Department.
- (5) For both the two years ended 31 March 2017, Customer E ranked fifth in terms of revenue contributed. Customer E is a Hong Kong company which is principally engaged in the provision of construction engineering works.

For the year ended 31 March 2017:

Rank	Customer	Background of customer	Types of works undertaken by us for the customer during the Track Record Period	Approximate years of business relationship with us as at the Latest Practicable Date	Credit term	Payment method	Revenue derived from the customer HK\$'000	Percentage of total revenue %
1	Customer A (note 1)	A main contractor of Highways Department projects and DSD projects	Management and maintenance of roads (structural works)	8	30 days	By telegraphic transfer	30,689	41.7
2	Customer D (note 2)	A main contractor of Highways Department projects	Management and maintenance of roads (structural works)	3	15 days	By telegraphic transfer	18,081	24.6
3	Customer B (note 3)	A main contractor of Highways Department and AFCD projects	(i) Maintenance of slopes in country parks; and(ii) construction of lift and staircase to footbridge	3	45 days	By cheque	15,316	20.8
4	Customer F (note 4)	A main contractor of the CEDD projects	Construction of lift and ramp to footbridge	2	30 days	By cheque	6,241	8.5
5	Customer E (note 5)	A subcontractor of Highways Department projects	Management and maintenance of roads (regional works)	4	30 days	By cheque	2,343	3.2
Five lar	gest customers combined	l					72,670	98.8

Notes:

- (1) For both the two years ended 31 March 2017, Customer A ranked first in terms of revenue contributed. Customer A is a Hong Kong company which is principally engaged in the business of undertaking civil engineering works relating to roads and drainage and waterworks in Hong Kong. Customer A formed a joint venture which is currently the main contractor of one management and maintenance contract with Highways Department.
- (2) For the three years ended 31 March 2018, Customer D ranked fourth, second and second in terms of revenue contributed respectively. Customer D is a Hong Kong company which is principally engaged in undertaking civil engineering works including roads and drainage works, site formation works, general building works, waterworks, slope works and public utilities works. Customer D is currently the main contractor of two management and maintenance contracts with Highways Department.
- (3) For the two years ended 31 March 2017, Customer B ranked second and third in terms of revenue contributed respectively. Customer B is a Hong Kong company which principally provides consultancy and engineering contractor services in Hong Kong and Macau. It specialises in utilities installation, infrastructure construction, trenchless technologies and civil and building services engineering for public and private projects. It is a wholly-owned subsidiary of a company listed in Hong Kong.
- (4) For both the two years ended 31 March 2018, Customer F ranked fourth in terms of revenue contributed. Customer F is a Hong Kong company which is principally engaged in the provision of construction works. Customer F is a joint venture formed by a listed company and a wholly-owned subsidiary of another listed company.
- (5) For both the two years ended 31 March 2017, Customer E ranked fifth in terms of revenue contributed. Customer E is a Hong Kong company which is principally engaged in the provision of construction engineering works.

For the year ended 31 March 2018:

			Types of works undertaken by us for the customer during the	Approximate years of business relationship with us as at the Latest	Credit	Payment	Revenue derived from the	Percentage of total
Rank	Customer	Background of customer	Track Record Period	Practicable Date	term	method	customer HK\$'000	revenue %
1	Customer I (note 1)	A subcontractor of Water Supply Department project	Road reinstatement and painting	2	30 days	By cheque	18,963	20.7
2	Customer D (note 2)	A main contractor of Highway Department projects	Management and maintenance of roads (structural works)	4	30 days	By telegraphic transfer	18,197	19.8
3	Customer H (note 3)	A subcontractor of a non- governmental organisation responsible for management and maintenance of cemeteries	Upgrade works of slope and retaining walls	2	30 days	By cheque	16,426	17.9
4	Customer F (note 4)	A main contractor of the CEDD project	Construction of lift and ramp to footbridge	3	30 days	By cheque	15,452	16.8
5	Customer G (note 5)	A subcontractor of Highway Department projects	Management and maintenance of roads (structural works)	2	30 days	By cheque	11,388	12.4
Five lar	gest customers combined						80,426	87.6

Notes:

- (1) For the year ended 31 March 2018, Customer I ranked first in terms of revenue contributed. Customer I is a Hong Kong company which is principally engaged in the provision of maintenance services.
- (2) For the three years ended 31 March 2018, Customer D ranked fourth, second and second in terms of revenue contributed respectively. Customer D is a Hong Kong company which is principally engaged in undertaking civil engineering works including roads and drainage works, site formation works, general building works, waterworks, slope works and public utilities works. Customer D is currently the main contractor of two management and maintenance contracts with Highways Department.
- (3) For the year ended 31 March 2018, customer H ranked third in terms of revenue contributed. Customer H is a Hong Kong company which is principally engaged in the provision of slope maintenance and general maintenance works.
- (4) For both the two years ended 31 March 2018, Customer F ranked fourth in terms of revenue contributed. Customer F is a Hong Kong company which is principally engaged in the provision of construction works. Customer F is a joint venture formed by a listed company and a wholly-owned subsidiary of another listed company.

(5) For the year ended 31 March 2018, Customer G ranked fifth in terms of revenue contributed. Customer G is a Hong Kong company which is principally engaged in the provision of maintenance services including cleansing, painting, fence maintenance works etc.

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

Customers' concentration

For the three years ended 31 March 2018, the percentage of our total revenue attributable to our five largest customers amounted to approximately 96.4%, 98.8% and 87.6% respectively. Our Directors consider that such customer concentration is not uncommon for civil engineering companies in Hong Kong which are engaged in undertaking public works and that our business model is sustainable despite such customer concentration having regard to the following factors:

- (i) Due to the nature of the roads and highways management and maintenance industry, our potential customer base is relatively limited and concentrated to reputable contractors in Hong Kong. In 2016, the top five main contractors of roads and highways repair and maintenance works accounted for approximately 46.3% of the estimated total term contract value in Highways Department. Among these top five main contractors, we had business relationships with three of them. Our Directors believe that the established working relationships with reputable contractors will provide assurance to our business operations going forward.
- (ii) The contracts awarded in the roads and highways management and maintenance industry are relatively stable. As at the Latest Practicable Date, there were eight ongoing term contracts for roads and highways in total awarded by Highways Department to the main contractors including two high speed roads maintenance contracts and six road maintenance contracts excluding high speed roads. For further details on the roads and highways maintenance works contracts, please refer to paragraph headed "Our services Repair and maintenance works Overview of repair and maintenance works for roads and highways" in this section. Each term contract is generally for a term of six years. We have successfully renewed three contracts during the Track Record Period and up to the Latest Practicable Date, namely, the contract for the Kowloon West project till June 2020, the Hong Kong Island project till March 2023 and the Kowloon East till March 2024.
- (iii) Our Directors consider that we have a complementary business relationship with our major customers and new entrants to the roads and highways management and maintenance industry providing structural works generally face a high level of entry barrier in joining the market. Our experience and our proven track record as a quality subcontractor in handling civil engineering projects also give business advantage to our customers to ensure their projects are executed on time, within budget and in accordance with their quality standards. According to the Ipsos Report, project experience accumulation and proven track records are the key assessing criteria during the preconditioned public tendering process. Subcontractors with a well-developed portfolio, established business relationships with main contractors and related

Government bodies and reputation in the industry will have a higher success rate in tendering for projects with selective tendering basis. Under such basis, new entrants will have to confront with the difficulties in competing with the existing players in the industry.

(iv) In order to further strengthen our position in the civil engineering industry, we are also currently applying for the Group A probationary licence for approved contractors for public works – road and drainage with the WBDB.

Key terms of contracts and/or works orders with customers

Repair and maintenance projects

During the Track Record Period, we entered into legally binding contracts with our customers on term basis for repair and maintenance projects which provide the framework of the projects. Our customers will then issue separate works orders to us from time to time specifying the works that has to be performed within a time period. The key terms of the contracts with our customers are set out below:

(i) Scope of work and resource allocation

The scope of work specifies the types of works which we need to perform and sometimes reference is made to detailed specifications in the main contracts between our customers and the relevant Government departments or other public bodies. The scope of work is usually detailed in the works orders received by us regularly.

(ii) Contract period

The term of our repair and maintenance projects ranges from one to six years.

(iii) Payment

For interim payment, we generally provide our customers with a completion report of the details of completed works orders, the estimated value of works undertaken by us along with any variation orders (if any) on a monthly basis. In respect of final payment after the expiration of the term contract, our project manager/site agent will calculate the outstanding number of completed works orders that we have not applied for payment certificates. We will issue final payment application showing the amount we are entitled to for our customers' approval. For details, please refer to the paragraph headed "Our business model and operation – Project completion" in this section.

(iv) Retention monies

Our customers may hold up a certain percentage of each interim payment made to us as retention money. In general, our customers may retain 3% to 10% of each interim payment as retention money for a project. The release of retention money varies from project to project. The common practice for our customers is to release a certain portion of the retention money upon the issuance of payment certificate while retaining the remaining portion until the expiration of defects liability period or a pre-agreed period.

(v) Defects liability period

We are generally subject to defects liability period during which we are responsible for rectifying all defective works under our scope of work at our own expense. The defects liability period usually corresponds to the period specified in the main contract between our customers and the relevant Government department. If we have engaged subcontractors for a project, we normally require an identical defects liability period from our subcontractors in respect of the works carried out by the subcontractors which is normally 12 months.

(vi) Variation orders

We may be given variation orders where our customers amend the specification and scope of work and adjust the original works orders. A variation order may increase, omit or vary the original scope of works and adjust the original works orders. The value of the variation works is determined by similar works performed under the contract or as determined by our customers and us after performing measurements and evaluation on the valuation works.

(vii) Insurance and indemnities

Pursuant to our contracts, our customers shall effect insurance as specified in the contracts such as all risks insurance and employees' compensation insurance covering the works undertaken by us. On the other hand, we shall indemnify our customers against all liabilities for bodily injury, damage to property or other loss which may arise out of or in consequence of the execution, completion or maintenance of our works unless the aforementioned liabilities or claims are caused solely by the wrongful acts or omissions of our customers. As confirmed by our Directors, during the Track Record Period, we were not involved in any material claim by our customers for indemnity.

(viii) Liquidated damages

Some contracts include a liquidated damages clause to protect our customers against any late completion of works. We may receive slow progress letters or overdue works order notices from Highways Department and may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts. Liquidated damages are typically levied at a rate stipulated in the relevant contract on a daily basis.

In relation to the liquidated damages clause, a clause may be included in the contracts allowing for the extension of time without any liquidated damages penalty under certain circumstances such as inclement weather or the issue of variation orders.

During the Track Record Period, we received five, four and three slow progress letters and overdue works order notices respectively. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to material delay leading to any substantial liquidated damages.

(ix) Termination

Grounds upon which contracts may be terminated by our customers immediately or by giving advance notice generally include the following if we:

- wholly or substantially suspends our works;
- fails to proceed with our works expeditiously or to the satisfaction of our customers;
- refuses or neglects to remove defective materials or make good defective works after being directed in writing to do so;
- commits an act of bankruptcy; or
- fails to observe the obligations placed on us by any relevant laws and regulations.

Civil engineering construction works

During the Track Record Period, we entered into legally binding contracts with our customers on project-by-project basis for civil engineering construction works. The key terms of the contracts are similar to those in the repair and maintenance projects, except for the following:

(i) Scope of work

The scope of work specifies the site and works which we need to perform and sometimes reference is made to detailed specifications and drawings annexed to the contracts. The scope of work is normally specified under the bill of quantities at the time the contract is entered into.

(ii) Contract period

The term of our civil engineering construction projects normally range from two to four years subject to application for extension of time. The contract period generally sets out the tentative date for possession and the completion date.

(iii) Payment

For interim payment, we generally provide our customers with a written statement of the details of completed works, the estimated fee of our work done along with any variation orders (if any) and the costs of the materials delivered under the contract on a monthly basis. For details of the final payment upon completion of project, please refer to the paragraph headed "Our business model and operation – Project completion" in this section.

(iv) Retention monies

Our customers may hold up a certain percentage of each interim payment made to us or up to 5% of the contract sum as retention money for a project. The release of retention money varies from project to project. The common practice for our customers is to release a certain portion of retention money upon the issuance of payment certificate while retaining the remaining portion until the expiration of defects liability period or a pre-agreed period.

(v) Defects liability period

We are generally subject to defects liability period, and we are responsible for rectifying all defective works under our scope of work at our own expense during such period. The defects liability period depends on the terms of the main contracts and is usually identical to the defects liability period between the main contractor and the Government. If we have engaged subcontractors for a project, we normally require an identical defects liability period from our subcontractors in respect of the works carried out by the subcontractors which is usually 12 months.

(vi) Termination

Some major grounds upon which contracts may be terminated by our customers immediately generally include the following if we:

- fail to commence our works on time or resume work upon request;
- fail to proceed with our works diligently;
- fail to achieve or maintain a satisfactory progress of work;
- refuse or fail to remove, replace or make good defective materials or works; or
- are bankrupt.

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

Contra charge arrangement with our customers

It is common in the industry for a main contractor to deduct from its payment to the subcontractors various expenses incurred on behalf of its subcontractors when settling the contract sums for a project. Such payment arrangement is referred to as "contra charge arrangement" and the amounts involved are referred to as "contra charge".

During the Track Record Period, we had contra charge arrangement with some of our customers. Such contra charge included subcontracting fees of specialists, purchase cost of materials and other miscellaneous expenses.

For the three years ended 31 March 2018, five, five and six of our projects were under contra charge arrangement, respectively. The subcontracting fees, purchase costs and miscellaneous expenses of the relevant projects were settled by way of contra charge to the account with the relevant customer. The payment due to us from the relevant customers would then be settled after netting off the contra charge.

For the three years ended 31 March 2018, our contra charge amounted to approximately HK\$6.1 million, HK\$11.0 million and HK\$12.6 million respectively, representing approximately 16.3%, 21.6% and 19.1% of our total cost of sales for the same period respectively. During the Track Record Period, as confirmed by our Directors, we had no material dispute with our customers as regards the contra charge arrangement and the contra charge involved. In addition, as we settled the contra charge by netting off with the payments due from our customers, both cash inflows from the project works done and cash outflows from the engagement of specialist subcontractors, purchase of materials or the payment on miscellaneous expenses were reduced by the same amount. Therefore, the contra charge arrangement had no material impact on our cashflow positions during the Track Record Period.

The following table sets forth the breakdown of our contra charge by major categories during the Track Record Period:

	As at 31 March							
	2016	2017	2018					
	(HK'000)	(HK'000)	(HK'000)					
Staff cost	1,138	2,360	5,729					
Purchase cost of materials	3,348	8,108	6,359					
Miscellaneous expenses	1,638	488	527					
	6,124	10,956	12,615					

SUBCONTRACTORS

As civil engineering projects are normally labour intensive work, to maximise allocation of resources and utilise expertise of other subcontractors, we usually engage subcontractors to perform works in our projects on a contract by contract basis. During the Track Record Period, we subcontracted works that require specific licences and skills such as site formation, piling, road marking, replacement of expansion joints and installation of electric components to our subcontractors. We also subcontracted other works that do not require specific qualifications such as painting and cleansing to our subcontractors for the purpose of better allocation of our resources and alleviation of our tight labour supply.

Our subcontractors include both private companies and sole proprietors which have the skills and manpower available to carry out works subcontracted to them. To ensure high quality of works, we monitor our subcontractors such that they do not further subcontract the works. We are usually responsible for engaging subcontractors for our projects, and except in the case where our customers engage subcontractor pursuant to contra charge arrangement. For further detail of our contra charge arrangement, please refer to the paragraph headed "Customers – Contra charge arrangement with our customers" in this section.

Major subcontractors

For the three years ended 31 March 2018, our total subcontracting fees amounted to approximately HK\$24.5 million, HK\$31.5 million and HK\$27.2 million respectively. During the relevant period, the percentage of our subcontracting charges paid to our largest subcontractor accounted for approximately 66.4%, 73.7% and 26.0% of the total subcontracting charges while the percentage of our subcontracting charges paid to our five largest subcontractors accounted for approximately 91.3%, 84.9% and 64.2% of the total subcontracting charges incurred, respectively. Our Directors confirm that we have not encountered any material dispute with our subcontractors during the Track Record Period.

Set out below is a breakdown of our total subcontracting charges we paid to our five largest subcontractors during the Track Record Period and their respective background information:

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For the year ended 31 March 2016:

			Approximate years				
			of business			Total	Percentage of
			relationship with			subcontracting	total
			us as at the Latest		Payment	charges	subcontracting
Rank	Subcontractor	Types of services provided to us	Practicable Date	Credit term	method	incurred	charges
						HK\$'000	%
1	Talent Global	Replacement of expansion joints, pavement and re-surfacing of roads, building works and cleansing	7	30 days	By cheque	16,268	66.4
2	Subcontractor A (note 1)	Drainage and road cleansing, re-surfacing of roads, sign gantry cleansing and garbage removal	7	30 days	By cheque	2,957	12.0
3	Subcontractor B (note 2)	Foundation and piling	3	30 days	By cheque	1,731	7.1
4	Subcontractor C (note 3)	Drainage works	3	30 days	By cheque	855	3.5
5	Subcontractor D (note 4)	Drainage works	3	30 days	By cheque	565	2.3
Five largest subcontractors combined 22,376							91.3

Notes:

- (1) For the three years end 31 March 2018, Subcontractor A ranked second, fourth and third in terms of subcontracting cost incurred respectively.
- (2) For the year end 31 March 2016, Subcontractor B ranked third in terms of subcontracting cost incurred.
- (3) For the year end 31 March 2016, Subcontractor C ranked fourth in terms of subcontracting cost incurred.
- (4) For the year end 31 March 2016, Subcontractor D ranked fifth in terms of subcontracting cost incurred.

For the year ended 31 March 2017:

Rank	Subcontractor	Types of services provided to us	Approximate years of business relationship with us as at the Latest Practicable Date	Credit term	Payment method	Total subcontracting charges incurred HK\$'000	Percentage of total subcontracting charges %
1	Talent Global	Replacement of expansion joints, pavement and re-surfacing of roads, building works and cleaning	7	30 days	By cheque	23,180	73.7
2	Subcontractor E (note 1)	Highway cleansing	8	30 days	By cheque	1,050	3.3
3	Subcontractor F (note 2)	Foundation and piling	1	30 days	By cheque	950	3.1
4	Subcontractor A (note 3)	Drainage and road cleansing, re-surfacing of roads, sign gantry cleansing and garbage removal	7	30 days	By cheque	797	2.5
5	Subcontractor G (note 4)	Iron engineering	8	30 days	By cheque	731	2.3
Five lar	gest subcontractors combined				26,708	84.9	

Notes:

- (1) For the year end 31 March 2017, Subcontractor E ranked second in terms of subcontracting cost incurred.
- (2) For the two years end 31 March 2018, Subcontractor F ranked third and second in terms of subcontracting cost incurred respectively.
- (3) For the three years end 31 March 2018, Subcontractor A ranked second, fourth and third in terms of subcontracting cost incurred respectively.
- (4) For the two years end 31 March 2018, Subcontractor G ranked fifth and fourth in terms of subcontracting cost incurred respectively.

For the year ended 31 March 2018:

			Approximate years			Total	Dancontogo of
			of business			Total	Percentage of
			relationship with			subcontracting	total
			us as at the Latest		Payment	charges	subcontracting
Rank	Subcontractor	Types of services provided to us	Practicable Date	Credit term	method	incurred	charges
						HK\$'000	%
1	Subcontractor H (note 1)	Road maintenance painting and road widening	4	30 days	By cheque	7,059	26.0
2	Subcontractor F (note 2)	Foundation and piling	2	30 days	By cheque	3,350	12.2
3	Subcontractor A (note 3)	Drainage and road cleansing, re-surfacing of roads, sign gantry cleansing and garbage removal	8	30 days	By cheque	3,311	12.2
4	Subcontractor G (note 4)	Iron engineering	9	30 days	By cheque	1,974	7.3
5	Subcontractor J (note 5)	Slope maintenance	1	30 days	By cheque	1,760	6.5
Five largest subcontractors combined 17,454						64.2	

Notes:

- (1) For the year end 31 March 2018, Subcontractor H ranked first in terms of subcontracting cost incurred.
- (2) For the two years end 31 March 2018, Subcontractor F ranked third and second in terms of subcontracting cost incurred respectively.
- (3) For the three years end 31 March 2018, Subcontractor A ranked second, fourth and third in terms of subcontracting cost incurred respectively.
- (4) For the two years end 31 March 2018, Subcontractor G ranked fifth and fourth in terms of subcontracting cost incurred respectively.
- (5) For the year end 31 March 2018, Subcontractor J ranked fifth in terms of subcontracting cost incurred.

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

Basis of selecting subcontractors

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

Key terms of subcontracting engagement

(i) Scope of work

The scope of services and type of works to be carried out by the subcontractors are specified in the subcontracting agreement. In general, a subcontractor is required to perform its works in accordance with the specifications required by our customer. Their works includes site formation, piling, road marking, replacement of expansion joints, installation of electric components, painting and cleansing.

(ii) Term

The term for repair and maintenance works generally ranges from four to six years, whereas for civil engineering construction works, it generally ranges from one to four years.

(iii) Payment terms

Our subcontractors are required to provide us with a payment application setting out the details of the completed works on a monthly basis and we generally pay our subcontractors within 30 days after we approve the payment application.

(iv) Procurement of raw material

Our subcontractors are generally required to procure the raw materials, acquire the necessary equipment and engage their own labour for performing the subcontracted works. If the subcontractor requests us or our customer to procure materials, a 5% administrative fee of the cost may be charged.

(v) Defect liability period

We generally require a defects liability period of 12 months from the date we and our customer approve completion of works, during which our subcontractors are responsible for rectifying all works defects identified by us or our customers.

(vi) Retention money

Usually we retain 5%-10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money. Generally, the retention money would be released to our subcontractors after the expiration of the defects liability period or a pre-agreed period.

(vii) Indemnities

In general, our subcontractors shall indemnify us against all liabilities due to the acts or omissions of our subcontractors which may arise out of or in consequence of the performance of the subcontracted works plus a 15% markup of the damages incurred as administrative fee.

(viii) Termination

Grounds upon which we may terminate the subcontracting contracts by giving advance notice generally include (i) the subcontractor refuses to perform the works prescribed, or the standard of works cannot fulfil the contract requirements; (ii) there is a change of ownership of the subcontractor; or (iii) the subcontractor fails to observe any relevant laws and regulations.

Control over subcontractors

Under the contracts entered into between our customers and us, we are generally liable to our customers for the performance and quality of work done by our subcontractors. In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our customers' internal control measures in relation to quality control, safety and environmental compliance. During project implementation, our project team together with our customers' project teams regularly meet with our subcontractors and closely monitor their work progress and performance as well as their compliance with our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed "Quality control", "Occupational health and safety" and "Environmental matters" in this section.

Relationship with Talent Global

Talent Global was our largest subcontractor for the two years ended 31 March 2017. The subcontracting charges we paid to Talent Global amounted to approximately HK\$16.3 million and HK\$23.2 million, representing 66.4% and 73.7% of our total subcontracting charges incurred during these two years respectively.

Background

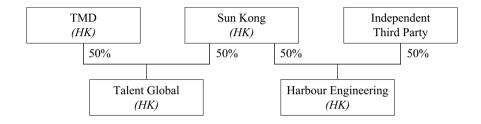
We established Talent Global, as a 50/50 joint venture, with Sun Kong in June 2011. Sun Kong was at the material time a company principally engaged in civil engineering works in Hong Kong. Our executive Director, Mr. Ha, acquainted with the shareholders and directors of Sun Kong, Mr. Li Kam Pong ("Mr. Li") and Mr. Hung Kit Fai ("Mr. Hung") back in 2002, when Mr. Ha was working in Hongkong United Dockyards Limited. Mr. Ha has maintained an amicable business relationship with Mr. Li and Mr. Hung since then. Sun Kong has also purchased painting materials from a company wholly owned by Ms. Wong Shen, Mr. Ha's mother, since 2002. Sun Kong became acquainted with us around the time when we were awarded with our first Hong Kong Island term contract (Project A3) in 2011 through Mr. Ha. To the best of our Directors' knowledge, information and belief and our Directors having made all reasonable enquiries, other than being a joint venture partner with us in Talent Global, Sun Kong and its ultimate beneficial owners, Mr. Li and Mr. Hung, are all Independent Third Parties.

Sun Kong had also established another 50/50 joint venture, Harbour Engineering, with another Independent Third Party. Harbour Engineering was a subcontractor to a main contractor who was awarded with the repair and maintenance works contract for Hong Kong Island from Highways Department for a term of six years from April 2005 to March 2011. As a subcontractor to that main contractor during that term, Harbour Engineering was responsible for the provision of repair and maintenance works for structures

of roads and highways in Hong Kong Island. Given its years of experience working in the Hong Kong Island term contract, Harbour Engineering had possessed in-depth knowledge in the road and traffic conditions, as well as expertise and resources in the repair and maintenance works for Hong Kong Island. To the best of our Directors' knowledge, neither Sun Kong nor Harbour Engineering was invited by Customer A to submit tender for the subsequent Hong Kong Island term contract in 2011.

To the best of our Directors' knowledge, information and belief, Harbour Engineering was also the subcontractor of another main contractor who was awarded a roads and highways management and maintenance contract by Highways Department.

The following chart sets out the shareholding and corporate structure of Talent Global and Harbour Engineering during the two years ended 31 March 2017.



Our first Hong Kong Island term contract (Project A3)

In 2011, Harbour Engineering's main contractor did not renew its term contract with Highways Department. Another main contractor (Customer A) was awarded with the repair and maintenance works contract for Hong Kong Island from Highways Department for a term of six years from April 2011 to March 2017. As in 2011, our Directors have acquainted with the directors of Customer A, which is an Independent Third Party, for around ten years through the sale of protective coating materials to Customer A since 2001. Customer A is principally engaged in the business of undertaking civil engineering works relating to roads and drainage and waterworks. To the best of the Directors' knowledge having made all reasonable enquiries, save for (1) the sale of protective coating materials by Mr. Ha to Customer A in the course of his previous employment; (2) the sale of protective coating materials to Customer A by Kaiser Global, a company wholly owned by Mr. Ha's sister; (3) the three repair and maintenance works projects (Projects A1, A3 and A10) awarded by Customer A since the commencement of our business; and (4) one of our senior management, Mr. Leung Wai Man, was the ex-employee of Customer A who joined us in 2012, there is no past or present relationship (business or otherwise) between Customer A, its shareholders and directors and our Company, our Shareholders, our subsidiaries, our Directors, senior management and any of their respective associates. For further details of Projects A1, A3 and A10, please refer to the paragraph headed "Our projects" in this section.

Our cooperation with Customer A can be traced back to our first Kowloon West term contract for structural works (Project A10) awarded in 2010. Our executive Director, Mr. Ha, was employed by Good Intelligent Development Engineering Limited ("Good Intelligent") from 2005 to 2010. Good Intelligent was incorporated in 2005. There were four shareholders of Good Intelligent at the time of its incorporation, one of which is our Mr. Ha's father while the others are Independent Third Parties. Since incorporation and until Good Intelligent was dissolved in 2015, each of the four shareholders of Good Intelligent held the company in equal shares (25%). During the time Mr. Ha was employed by Good Intelligent, it was principally

engaged in the provision of roads and highway management and maintenance works, as well as civil engineering construction works with approximately 30 to 50 employees. Good Intelligent was the subcontractor of Customer L, the main contractor under the Kowloon East structural works term contract (the "2005 Kowloon East Contract") from 2005 to 2009 and the subcontractor of Customer D, the main contractor under the Kowloon West structural works term contract (the "2006 Kowloon West Contract") from 2006 to 2010. The 2006 Kowloon West Contract was the preceding term contract of our first Kowloon West term contract for structural works (Project A10). Mr. Ha, who was responsible for co-ordination and management of projects, acquired knowledge and expertise in the roads and highway management and maintenance industry by participating in these projects. After the completion of the 2005 Kowloon East Contract and the 2006 Kowloon West Contract, Good Intelligent's operation scaled down, became dormant and was dissolved in 2015. Mr. Ha remained in personal contact with other main contractors in the roads and highway management and maintenance industry such as Customer A and Customer D. As Good Intelligent was already dissolved, there is no competition issue between the businesses of Good Intelligent and us. Our Directors confirm that we did not compete with Good Intelligent in any submitted tenders since our establishment and before the dissolution of Good Intelligent. As far as our Directors are aware, other than normal business relationship, Good Intelligent had no other relationship with our major customers.

In 2010, Customer A approached Good Intelligent through Mr. Ha regarding the subcontract of the Kowloon West term contract as Good Intelligent was the subcontractor under the 2006 Kowloon West Contract and had the experience in the road and traffic conditions in Kowloon West. However, Good Intelligent did not take up the subcontract after the discussion among the directors due to the expected thin profit margin in the subcontract. Being competent and experienced in Kowloon West structural works, Mr. Ha intended to form a new company to tender for the subcontract given that the subcontract was not taken up by Good Intelligent. Customer A therefore invited Mr. Ha, together with other invited subcontractors, for tender. The plan of Mr. Ha to tender for the Kowloon West term contract for structural works was known to the board of Good Intelligent at that time. As Customer A recognised Mr. Ha's ability and previous experience in the management of Kowloon West structural works term contract rather than the operating history of TMD, which was newly incorporated in 2010, Customer A awarded the first Kowloon West term contract for structural works (Project A10) to us. We recognised approximately HK\$60.8 million for Project A10.

It is common in the construction industry that the main contractors tend to choose subcontractors whom they trust and have confidence of the subcontractors' staff management, quality of works, works priority and scheduling, as well as cost control. This teamwork arrangement enables the main contractors to ensure that they have a sufficient degree of control on the costs and progress of the projects, and to ensure effective communication and cooperation amongst the subcontractors of different tasks.

In 2011, we were invited to submit our tender and were successfully awarded with the Hong Kong Island term contract (Project A3). It was the time when we had just set up our business, and were awarded the subcontractor contract for providing structural repair and maintenance works in Kowloon West. Our scale of business operations was still in an infant stage at that time. Our Directors were aware of our deficiencies to work alone on this newly awarded repair and maintenance works for structures of roads and highways in Hong Kong Island as our operation team lacked the requisite knowledge on the road and traffic conditions in Hong Kong Island, as well as the necessary equipment and human resources at the initial stage of this subcontract. Despite the above deficiencies, Customer A recognised our management team's ability and experience in the roads and highway management and maintenance industry which was demonstrated

and supported by TMD's performance under our first Kowloon West term contract for structural works (Project A10). As a subcontractor, we similarly were responsible for the provision of repair and maintenance services for structures of roads and highways in Hong Kong Island. We recognised approximately HK\$104.9 million for Project A3.

The execution of roads and highways repair and maintenance works requires local experience in the traffic condition. A subcontractor may find it difficult to obtain requisite permits from the relevant Government departments if the subcontractor is not familiar with certain pre-conditions for applying the permits. For instance, works order involving excavation requires an excavation permit before the commencement of works. Information such as excavation location, timing, noise level, attitude or reactions of the nearby households may be crucial to the successful and effective execution of the works order. Also, local commuters and residents may file complaints to different Government departments, resulting in delay or suspension of repair and maintenance works. Habour Engineering, as the subcontractor under the previous Hong Kong Island term contract, and Sun Kong, as one of the joint venture partners establishing Habour Engineering, possessed the crucial experience and local knowledge, as well as the necessary equipment and human resources. This triggered our cooperation with Sun Kong and Harbour Engineering in the Hong Kong Island term contract in 2011.

As confirmed by our Directors, Customer A was aware of our intended subcontracting arrangement at the time of awarding of the subcontract to TMD. Subcontracting arrangement is common in road and highway management and maintenance industry including those specialist works which require special skills and knowledge. Regarding the three projects (Projects A1, A3 and A10) awarded by Customer A to us, our Directors and all of our employees (except workers and employees who have not completed their respective probationary period) confirmed, to the best of their knowledge, there is/was no other agreement, arrangement or understanding between Customer A (including its shareholders and directors) and our Company, our subsidiaries, our Shareholders, Directors, senior management or any of their respective associates.

Joint Venture with Sun Kong

To enable us to discharge the works undertaken as the subcontractor in this term contract, our Directors considered our cooperation with Sun Kong and Harbour Engineering. According to the Ipsos Report, it is common in the construction industry for contractors cooperating with each other by establishing joint venture companies. The main difference between a subcontracting arrangement and a joint venture arrangement is the risks and rewards derived by the respective parties from a contract. For a subcontracting arrangement, the subcontractor will bear the risk that it has no control on the allocation of works orders. For example the main contractor can engage other subcontractors to carry out works under the contract, and the subcontractor may get no works from the main contractor. In other words, the subcontractor has no security or protection of its role in the project.

On the other hand, joint venture arrangement can signify the relationship between the cooperating parties, and enable the respective party to exercise a degree of control in the joint venture company as the joint venture parties need to share the profits and losses in the joint venture arrangement in accordance with the percentage of shareholding interest.

Sun Kong, instead of agreeing to be a subcontractor of TMD in the Hong Kong Island term contract, proposed to form a 50/50 joint venture company with TMD. The Directors believe that through this joint venture arrangement, Sun Kong may secure a degree of control and transparency on the allocation and performance of works orders, and this may also safeguard Sun Kong's interests with the works orders being subcontracted to Harbour Engineering throughout the term of the Hong Kong Island term contract. We therefore established Talent Global, a 50/50 joint venture with Sun Kong on 30 June 2011.

It was therefore agreed between Sun Kong and us that we would subcontract substantially all our structural works, such as replacement and repair of expansion joints, anti-skid dressing works and concrete pavement, in term contract for Hong Kong Island to Talent Global subject to the availability of equipment and human resources of Harbour Engineering, especially in the early transitional stage of the term contract when the works orders took up a large team of workers or required equipment to implement the works. Talent Global then further subcontracted the structural works to Harbour Engineering.

Regarding the subcontracting arrangements to Talent Global and further to Harbour Engineering, as it is the requirement of Highways Department for the main contractor to submit subcontractor management plan and a declaration of no hidden subcontractors to the Highways Department, both Highways Department and Customer A were aware of the arrangements. Apart from such notification requirement, consents from Highways Department or Customer A in relation to sub-contracting arrangements were not required. As advised by our Hong Kong legal adviser, the subcontracting arrangement by Customer A in Project A3 has complied with the relevant laws, rules and regulations.

The key terms of Talent Global's subcontracting arrangement with Harbour Engineering were substantially identical to those of our subcontracting arrangement with independent subcontractors.

Set out below are two tables showing (i) the gross profit margin of Project A3, i.e. the first Hong Kong Island term contract, and the average gross profit margin of our other projects during the Track Record Period; and (ii) the profitability of Project A3 and the respective contribution to each of our Group and Talent Global in terms of revenue, gross profit and gross profit margin:

(i)	Gross profit margin					
	For the year					
	2016	2017	2018			
	%	%	%			
Project A3	23.2	24.5	_			
Other projects	33.7	40.6	31.6			

Project A3 Revenue For the year ended 31 March		Mouel	Gross profit For the year ended 31 March			Gross profit margin For the year ended 31 March			
	2016 HK'000	2017 HK'000	2018 HK'000	2016 HK'000	2017 HK'000	2018 HK'000	2016 %	2017 %	2018 %
Our Group Talent Global	21,238 16,268	30,689 23,180	-	4,969 844	7,509 260	-	23.4 5.2	24.5 1.1	-

On the other hand, we were responsible for attending meetings with Highways Department from time to time, liaising with our main contractor, and monitoring and supervising the works orders from Highways Department. Set out below is a table summarising the roles and responsibilities of each of TMD, Talent Global and Harbour Engineering in terms of the first Hong Kong Island term contract (Project A3):

Roles and responsibilities

TMD Responsible for attending meetings with Highways Department

from time to time, liaising with main contractor and monitoring and supervising the works orders received from Highways Department

Talent Global Responsible for carrying out part of the structural works, liaising

with TMD and Harbour Engineering and monitoring and supervising the works orders subcontracted to Harbour Engineering

Harbour Engineering Responsible for the repair and maintenance works for highways

structures in Hong Kong Island, with contribution of its knowledge and experience in the road and traffic conditions of Hong Kong

Island

Our main contractor also helped us, Talent Global and Harbour Engineering to source materials from suppliers through contra charge arrangement. For further details of our contra charge arrangement with our customers, please refer to the paragraph headed "Customers – Contra charge arrangement with our customers" in this section.

Through the cooperation with Sun Kong, we were able to leverage on the previous track record of Harbour Engineering and were able to accumulate our operation team's practical knowledge on the road and traffic conditions in Hong Kong Island, and at the same time, to build up our internal human resources and necessary equipment to develop our operation scale.

Talent Global's financial position

We paid subcontracting charges to Talent Global in the amount of approximately HK\$16.3 million and HK\$23.2 million, representing respectively 66.4% and 73.7% of our total subcontracting charges incurred during the two years ended 31 March 2017. At the same time, Talent Global paid a total subcontracting charges of HK\$15.4 million and HK\$22.6 million to Harbour Engineering.

The table below sets forth a summary of certain financial information of Talent Global for the periods indicated:-

	As at/For the year ended 31 March				
	2016	2017	2018		
	HK\$'000	HK\$'000	HK\$'000		
Revenue	16,268	23,180	_		
Net profit (loss) after tax	828	220	(10)		
Net assets (liabilities)	(2,709)	(2,489)	(2,499)		
Cash inflow (outflow) from operating					
activities before movements in					
working capital	828	220	(10)		

The results and assets and liabilities of Talent Global are incorporated in our combined financial statements using the equity method of accounting during the Track Record Period.

Our second Hong Kong Island term contract and the status of our arrangement with Sun Kong

Our first Hong Kong Island term contract with the main contractor expired on 31 March 2017. The main contractor involved in that term contract did not succeed in renewing its term contact with Highways Departments. Another main contractor was awarded with the Hong Kong Island term contract for a term of six years from April 2017 to March 2023. Again, we were invited to make our tender with this new contractor, and were successfully awarded with the subcontract under this new term. Having gained our practical knowledge on the road and traffic conditions in Hong Kong Island through our previous six-year term, we have developed our own practical knowledge on the road and traffic conditions in Hong Kong Island, have built up adequate internal human resources and necessary equipment, and have grown to an established operation scale. We were no longer required to ride on the expertise of Harbour Engineering.

Given that the term of our first Hong Kong Island term contract with our first main contractor had expired on 31 March 2017, our subcontracting arrangement with Talent Global had ceased afterwards. Save for Project A3, we had not subcontracted any of our other projects to Talent Global, Sun Kong, Harbour Engineering and/or the Independent Third Party joint venture partner of Sun Kong in establishing Harbour Engineering. Talent Global then became dormant, and as at the Latest Practicable Date, did not have substantive operations. To the best of our Directors' knowledge, information and belief, Harbour Engineering continued to be the subcontractor of another main contractor who was awarded a management and maintenance of roads and highways contract by Highways Department.

To our Directors' best knowledge, information and belief and our Directors having made all reasonable enquiries, Talent Global was not involved in any material non-compliances, litigations or claims, or exposed to any actual or contingent material liabilities during the Track Record Period and up to the Latest Practicable Date.

After the Listing, we will no longer continue our subcontracting arrangement with Talent Global. Our Directors confirm that we had not encountered any material dispute with Talent Global during the Track Record Period and up to the Latest Practicable Date.

SUPPLIERS

We will assess the overall performance of our potential suppliers including the product quality, timeliness of delivery, reputation in the industry and price competitiveness. As at the Latest Practicable Date, there were 38 suppliers on our list of approved suppliers. When selecting our suppliers, we may consider the types of materials specified by our customers and select the suitable supplier from our list based on their price, quality and time of delivery.

During the Track Record Period, we have not experienced any significant shortage nor delay in delivery of materials by our suppliers causing a material disruption to our works. We are usually responsible for sourcing construction materials for our projects, except in the case where we are provided with materials by our customers pursuant to contra charge arrangement. For further detail of our contra charge arrangement, please refer to the paragraph headed "Customers – Contra charge arrangement with our customers" in this section. We generally settle our purchases of materials by cheque in Hong Kong dollars. Our suppliers normally grant us a credit period of 30 days from the invoice dates. For the three years ended 31 March 2018, we incurred approximately HK\$1.5 million, HK\$1.5 million and HK\$11.9 million material costs, respectively.

During the Track Record Period, our suppliers were located in Hong Kong, the PRC and Malaysia.

Major suppliers

For the three years ended 31 March 2018, our five largest suppliers accounted for approximately 79.9%, 50.7% and 74.7% of our total purchases (excluding subcontracting charges and contra charge), respectively. Our Directors confirm that we have not encountered any material dispute with our suppliers during the Track Record Period.

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

For the year ended 31 March 2016:

Rank	Supplier	Background of supplier	Major materials purchased	Approximate years of business relationship with us as at the Latest Practicable Date	Credit term	Payment method	Purchase by us from the supplier	Percentage of our total purchase
Tunn	биррист	заррист	purchasea	Dute	VCI III	memou	НК\$'000	%
1	Supplier A (note 1)	An import and export trading firm located in China	Construction materials	2	Cash on delivery	By telegraphic transfer	690	45.4
2	Supplier B (note 2)	Iron supplier based in Hong Kong	Iron	3	Cash on delivery	By cheque	161	10.6
3	Supplier C (note 3)	Steel suppliers based in Hong Kong	Steel	2	Cash on delivery	By cheque	136	9.0
4	Supplier D (note 4)	Iron supplier based in Hong Kong	Iron	3	Cash on delivery	By cheque	117	7.7
5	Supplier E (note 5)	Steel suppliers based in Hong Kong	High tensile deformed bars	2	Cash on delivery	By cheque	110	7.2
Five la	rgest suppliers combined	1			·		1,214	79.9

Notes:

- (1) For the years end 31 March 2016, Supplier A ranked first in terms of purchase cost incurred.
- (2) For the years end 31 March 2016, Supplier B ranked second in terms of purchase cost incurred.
- (3) For the year end 31 March 2016, Supplier C ranked third in terms of purchase cost incurred.
- (4) For the year end 31 March 2016, Supplier D ranked fourth in terms of purchase cost incurred.
- (5) For the year end 31 March 2016, Supplier E ranked fifth in terms of purchase cost incurred.

For the year ended 31 March 2017:

				Approximate years of business relationship with			Purchase	
		D 1 1 6	Major	us as at the	0 14	n .	by us from	Percentage
Rank	Supplier	Background of supplier	materials purchased	Latest Practicable Date	Credit term	Payment method	the supplier HK\$'000	of our total purchase
1	Supplier F (note 1)	multinational extruded thermoplastic sheets manufacturer	Polycarbonate sheet	2	Cash on delivery	By cheque	205	14.0
2	Supplier G (note 2)	Paint manufacturer based in Japan	Paints	2	Cash on delivery	By cheque	167	11.4
3	Supplier H (note 3)	Paint supplier based in Hong Kong	Paints	2	Cash on delivery	By cheque	145	9.9
4	Supplier I (note 4)	Joint supplier based in Malaysia	Thormajoint Material	2	Cash on delivery	By telegraphic transfer	115	7.9
5	Supplier J (note 5)	Timber supplier based in Hong Kong	Timber	3	Cash on delivery	By cheque	110	7.5
Five la	rgest suppliers combined	d					742	50.7

Notes:

- (1) For the year end 31 March 2017, Supplier F ranked first in terms of purchase cost incurred.
- (2) For the year end 31 March 2017, Supplier G ranked second in terms of purchase cost incurred.
- (3) For the year end 31 March 2017, Supplier H ranked third in terms of purchase cost incurred.
- (4) For the year end 31 March 2017, Supplier I ranked fourth in terms of purchase cost incurred.
- (5) For the year end 31 March 2017, Supplier J ranked fifth in terms of purchase cost incurred.

For the year ended 31 March 2018:

				Approximate years of business relationship with			Purchase	
			Major	us as at the	a	_	by us from	Percentage
	a	Background of	materials	Latest Practicable	Credit	Payment	the	of our total
Rank	Supplier	supplier	purchased	Date	term	method	supplier HK\$'000	purchase %
1	Supplier K (note 1)	Glue supplier based in China	Glue	5	Cash on delivery	By remittance	4,055	34.2
2	Supplier O (note 2)	Iron Hardware supplier based in China	Iron Hardware	1	Cash on delivery	By remittance	1,995	16.8
3	Supplier N (note 3)	Steel supplier based in Hong Kong	Steel	5	Cash on delivery	By cheque	1,387	11.7
4	Supplier P (note 4)	Iron Hardware supplier based in China	Iron Hardware	1	Cash on delivery	By remittance	813	6.9
5	Supplier Q (note 5)	Iron Hardware supplier based in China	Iron Hardware	2	Cash on delivery	By remittance	609	5.1
Five lar	gest suppliers combined				·		8,859	74.7

Notes:

- (1) For the year end 31 March 2018, Supplier K ranked first in terms of cost incurred.
- (2) For the year end 31 March 2018, Supplier O ranked second in terms of cost incurred.
- (3) For the year end 31 March 2018, Supplier N ranked third in terms of cost incurred.
- (4) For the year end 31 March 2018, Supplier P ranked fourth in terms of cost incurred.
- (5) For the year end 31 March 2018, Supplier Q ranked fifth in terms of cost incurred.

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period. Kaiser Global is our connected supplier, but not one of our five largest suppliers during the Track Record Period. Please refer to the section headed "Connected Transactions" in this prospectus for details of our transactions with Kaiser Global.

MATERIALS

We source materials depending on the nature and requirements of the project. Common materials include paint, asphalt, concrete and repair mortar for repair and maintenance works; and formwork, steel reinforcement bars, structural steel and concrete for civil engineering construction works. The materials procured must conform with the requirements specified in the main contracts. If new materials are required for carrying out the works, the specifications of the materials have to be provided to the relevant

Government department through our customers for approval. We determine the storage of sufficient quantity of materials at the site based on the works schedule, and most of our materials sourced will be stored at the works site for direct utilisation.

PLANT AND EQUIPMENT

We rely on the use of plant and equipment to enable us to carry out civil engineering works and possess a broad range of site equipment such as excavator, welding machine, high pressure water jet machine, road compactor, grinding machine and generator to perform different types of projects. Our Directors believe that our investment in machinery and equipment will enable us to cater for projects of larger scale and higher complexity in the future.

For the three years ended 31 March 2018, we acquired new plant and equipment in the amount of approximately HK\$1.4 million, HK\$0.8 million and HK\$0.8 million, respectively. As at 31 March 2018, our machinery and equipment carried a net book value of approximately 1.2 million.

Depending on the project nature, we generally require our subcontractors to equip themselves with the necessary machinery and equipment for carrying out the subcontracted works. The fees for using our subcontractors' machinery and equipment are usually reflected in the charges of our subcontractors.

Types of our machinery and equipment and their useful lives

Our major types of machinery and equipment can be generally categorised into (i) road construction machinery, (ii) road and drainage repair works machinery, (iii) site monitor instruments and (iv) site access equipment. Depending on the nature of works orders received for our repair and maintenance projects or the works progress of our civil engineering construction projects, we may use different machinery and equipment. Road construction machinery are mainly used in the course of our barrier-free access facilities construction works and excavation works. Road and drainage repair works machinery are used in surface reinstatement, cleansing and include equipment for steelwork. Site monitor instruments are mainly used for facilitating communication and supervision at works sites, and site access equipment are mainly used for providing access and support, and to reach the spot for carrying out the necessary repair and maintenance works.

The following table sets forth the average estimated useful life, average age and remaining useful life based on our previous experience in the usage of such machinery and the respective maintenance record of our major types of machinery as at 31 March 2018:

Name of machinery and equipment	Quantity	Estimated useful life (Note 1)	Average Age	Average remaining useful life
Road construction machinery				
Generator	2	3.3	5	_
Air compressor	1	3.3	4	_
Drilling machine	1	3.3	4	_
Excavator	1	3.3	4	_
Cutter	1	3.3	4	_
Generator & Breaker	1	3.3	1	2.3
Road compactor	2	3.3	2	1.3
Concrete mixer	1	3.3	2	1.3
Generator	1	3.3	1	2.3
Farmer transporter	1	3.3	4	_
Reflectorless total station	1	3.3	0.5	2.8
Road and drainage repair works machinery Hot applied bitumen binder joint sealant machine High Pressure Washing Machine Grass cutter Blower Welder Generator Diesel washing machine Road cutting machine Road compactor Welding machine Compactor	3 2 2 2 1 2 1 1 1 1	3.3 3.3 3.3 3.3 3.3 3.3 3.3 3.3 3.3 3.3	3.5 2 1 1 2 2 8 2 1.5 1 1.5	- 1.3 2.3 2.3 1.3 1.3 - 1.3 1.8 2.3
Site monitor instruments				
Gas detector	2	3.3	5.5	_
Air Drone	1	3.3	5	_
Sound meter	1	3.3	3	_
Walkie-talkie	1	3.3	3	_
Site access equipment				
Aluminum scaffold	1	3.3	4	_
5-meter scaffold	2	3.3	1.5	1.8
Others				
Motor vehicles	15	3.3	2.3	1

Note:

^{1.} The estimated useful life is calculated based on the depreciation rate set out in the Accountants' Report.

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

In view of the nature of our business and operations, our Directors consider that it is not feasible or practicable to accurately and fairly quantify the utilisation rate of our machinery and equipment due to the following reasons:

- (i) a typical repair and maintenance project involves the use of various machinery and equipment depending on the nature of works orders received. In general, for example, road construction machinery are more heavily used in excavation works, whereas road and drainage repair works machinery are more often applied in road enhancement and surface reinstatement works. The use of machinery and equipment is also subject to the works progress in civil engineering construction projects. As such, machinery and equipment from time to time are left unused at the works sites and our Directors are of the view that it would be difficult to accurately measure an overall utilisation rate for our machinery and equipment. Further, it is not practicable for us to accurately record the daily or hourly usage of each individual machinery and equipment; and
- (ii) certain types of machinery and equipment are specific to certain types of works. Given that we provide a wide range of repair and maintenance works in a management and maintenance term contract while some types of machinery and equipment can be applied in a wide range of works, it is not practicable to reliably quantify the capacity of each piece of machinery and equipment by making reference to an objective and comparable scale or standard of measurement.

In view of the aforesaid, the collection of reliable and accurate data, including but not limited to the hourly usage rate of each machinery and equipment, required for the calculation of the utilisation rates is infeasible in practice.

Though we do not quantify the utilisation rate of our machinery due to the above reasons and the lack of formal records such as the daily/hourly usage of each individual machinery, our operation team is generally responsible for the management and maintenance of our machinery and equipment including regular inspection and arrangement of repair and maintenance services by external repair companies. The frequency of inspection and servicing depends on the types of the machines, extent of use and their working conditions. Routine service and inspection include oiling, refuelling and tire inspection for our machinery. Going forward our Directors and management will endeavour to monitor the overall deployment of our machinery in future. As advised by the Internal Control Consultant, we will retain record of the daily usage of each individual machinery and the entry/exit record of machinery in each works site. We will assess the current utilisation and the anticipated need for different types of our machinery based on the then status of our projects on hand, the number of our projects in the pipeline and their specific requirements, and our assessment on the availability and condition of our existing machinery.

During the Track Record Period, when our machinery and equipment were not deployed for use, they would generally be placed at the works sites pending further deployment in projects when necessary.

Although our Directors consider that our existing machinery and equipment are in good conditions in general, the probability and frequency of breakdown or malfunction of our existing machinery and equipment will increase as such machinery and equipment age. Our Directors consider that continued investments in new and high quality machinery and equipment are necessary in order to cope with our business development, strengthen and increase our overall efficiency, capacity and technical capability in performing our works. For further information regarding our plan to acquire new machinery and equipment, please refer to the paragraph headed "Business strategies" in this section and the section headed "Future Plans and Use of Proceeds" in this prospectus.

QUALITY CONTROL

We have obtained the following certification in relation to quality management:

Nature	Certification	Awarding organisation	Holder	Period of validity
Quality Management	ISO9001:2015	Accredited Certification	TMD	2 November 2013 to
System Accreditation		International Limited		2 November 2019

Our Directors believe that our financial results and hence our profits depend on our ability to meet our customers' requirements in all material respects. We have established a quality management system in accordance with the requirements of ISO 9001:2015 to develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement and long-term development. We identify and provide solutions to problems relating to the quality system and initiate actions to prevent nonconformity occurrence.

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

Our quality control requirements mainly mirror the main contractors' requirements. We compile a project quality plan before commencement of project to ensure that our customers' requirements are fulfilled. Our site engineer and foreman monitor the quality of works done by our direct labour and subcontractors on-site. Our project manager is responsible for monitoring the overall work quality and project progress and ensuring that engineering works are completed according to the schedule.

Furthermore, our project management teams (which normally consist of our executive Directors) closely monitor the projects' progress and constantly communicate with our customers to ensure that our construction works can meet our customers' requirements and can be completed within the prescribed time frame and budget.

OCCUPATIONAL HEALTH AND SAFETY

We are committed to provide a safe and healthy working environment for both our employees and employees of our subcontractors. Our customers also impose safety requirements on us. We normally follow the customers' safety requirements. Set out below are some of the measures we adopted in relation to safety:

(i) Safety manual

We have our safety manual in place for each project which we require our workers to strictly comply with. The safety manuals usually include safety precautions to be taken specific to each type of works at the construction sites, such as protective equipment to be worn, procedures for inspecting the structures and equipment before carrying out the works and signage boards and traffic cones to be placed at specific areas.

(ii) Training

Our customers provide training to our workers before commencement of works and require our workers to attend weekly meetings on safety issues. Our foremen are responsible for supervising workers' compliance with safety rules.

(iii) Organisational structure of the safety department

Our safety officer evaluates the safety programmes for each project provided by our customers and designs suitable safety policies to ensure compliance with legal requirements and prevention of injuries. He is also responsible for communicating with our customers' safety officer on safety issues. Our safety officer directly reports to our executive Directors. Whereas our safety supervisor is responsible for implementing the safety programmes and monitoring workers' safety on a daily basis, inspection records are given to our safety officer for evaluation of our safety programme.

When accidents happen, our safety department is responsible for assisting our customers in (i) preparing and submitting investigation report to the Labour Department; and (ii) carrying out safety review and improving safety measures, if necessary, to prevent similar accidents in future.

(iv) Regular inspection

Our safety supervisor carries out daily on-site safety inspection. Our safety officer and our customers' safety officers also constantly carry out safety inspection.

Save as disclosed under the paragraph headed "Litigations and Potential Claims" in this section our Directors confirmed that there was no reported work injuries of our employees during the Track Record Period and as at the Latest Practicable Date.

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

	Construction Industry in Hong Kong ^(Note 1)	Our Group ^(Note 2)
From 1 January to 31 December 2015		
Industrial accident rate per 1,000 workers in		
construction industry	39.1	0
Industrial fatality rate per 1,000 workers in		
construction industry	0.2	0
From 1 January to 31 December 2016		
Industrial accident rate per 1,000 workers in		
construction industry	34.5	0
Industrial fatality rate per 1,000 workers in		
construction industry	0.093	0
From 1 January to 31 December 2017		
Industrial accident rate per 1,000 workers in		
construction industry	32.9	1
Industrial fatality rate per 1,000 workers in		
construction industry	0.185	0

Notes:

- The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.17 (August 2017) published by Occupational Safety and Health Branch of the Labour Department of the Government.
- Our rates are calculated with reference to the number of injuries divided by the monthly average site workers in our construction sites during the year and multiply the result by 1,000. The daily average site workers only consisted of our employees and employees of our subcontractors. In December 2017, one of our employees fell off from a crane lorry and suffered injury. The case was reported to the main contractor's insurer and the Labour Department within the prescribed time limit. For details of the personal injury claims during the Track Record Period, please refer to the paragraph headed "Litigations and potential claims" in this section.

There was one injury case happened before the Track Record Period and one during the Track Record Period. For details of the cases, please refer to the paragraph headed "Litigation and potential claims" in this section.

ENVIRONMENTAL MATTERS

Our business is subject to certain laws and regulations in relation to environmental protection such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance, Public Health and Municipal Services Ordinance, Dumping at Sea Ordinance, and Pneumoconiosis and Mesothelioma (Compensation) Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this prospectus.

Our Directors believe that it is essential for us to be environmentally responsible and to meet our customers' demands for environmental protection and at the same time meeting the community's expectation for a healthy living and working environment. For the three years ended 31 March 2018, the cost of compliance with applicable environmental laws and regulations in Hong Kong was approximately HK\$17,000, HK\$59,000 and HK\$161,000 respectively, primarily consisted of transportation costs and dumping charges for wasted materials. The environmental compliance costs generally fluctuate in accordance with the ongoing projects/works orders undertaken by us. As the number of projects and/or works orders increase, our environmental compliance costs also increase. Our environmental compliance costs increased from approximately HK\$59,000 during the year ended 31 March 2017 to HK\$161,000 during the year ended 31 March 2018. The increase was due to an one-off payment of a public fill charge as a result of the clearance of a works site for piling works in Project B3.

We have adopted the following measures to ensure proper management of environmental protection and compliance with statutory requirements:

- installation of sound insulation material on our machines such as excavator and breaker to eliminate noise;
- regular spraying of water to control dust;
- · collection of polluted water in sedimentary tanks for discharge at approved locations; and
- sorting of construction wastes and disposal at approved locations.

During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliance or violations on any laws and regulations in relation to environmental protection. During the Track Record Period and up to the Latest Practicable Date, we have not been prosecuted under the relevant applicable environmental laws and regulations.

INSURANCE

In general, pursuant to the contracts we entered into with our customers and our Directors confirming it a standard and common industry practice, our customers as main contractors are responsible for employees' compensation insurance and contractor's all risks and third party liability insurance. The coverage of such insurance policies includes works performed by us and our subcontractors. We are also required to maintain basic insurance for our employees who work at our office as required by the Employees' Compensation Ordinance. We have also maintained third parties liability insurance for the motor vehicles we owned.

MARKET AND COMPETITION

According to the Ipsos Report, the roads and highways management and maintenance industry of Hong Kong is competitive, with a large number of contractors active in the market. In 2017, the top five contractors engaged in the repair and maintenance works accounted for approximately 39.0% of total

revenue generated from roads and highways repair and maintenance works. We recorded about HK\$75.2 million of revenue in 2016, which was about 4.6% of the total estimated revenue generated from roads and highways repair and maintenance works.

The major entry barriers for entering into the industry mainly include (i) the requirement for proven track record of industry experience and well-established networks among the industry; and Government's intention to enhance the transparency of inspection and maintenance work done disclosure which forms a potential hurdle for new entrants.

The key factors of competition normally refer to the ample capital preparation, good construction quality, certificated construction experts, professional management team, solid relationship with suppliers and customers, excellent construction safety control and new technology utilisation.

Our Directors consider that our competitive strengths as mentioned in the paragraph headed "Competitive Strengths" in this section have contributed to our success. As such, even though the roads and highway management and maintenance industry may remain competitive in the future, we are confident that we will be able to withstand the intense competition. For further details of the market overview and competitions of the industry, please refer to the section headed "Industry Overview" in this prospectus.

INTELLECTUAL PROPERTY RIGHTS

We are the registrant of the domain "www.grandtalentsgroup.com.hk" and are applying for a trademark in Hong Kong. Please refer to the paragraph headed "B. Further Information about the business – 2. Intellectual property rights of our Group" in Appendix IV to this prospectus for further details.

As at the Latest Practicable Date, we were not aware of any infringement by us of any intellectual property rights owned by third parties, or infringement by any third parties of any intellectual property rights owned by us.

EMPLOYEES

As at the Latest Practicable Date, we had 80 full-time employees who were directly employed by us in Hong Kong. The following table sets out a breakdown of the number of our employees by functions:

	As at the Latest Practicable Date
Directors and senior management	6
Project management	14
Safety, health and environment	2
Procurement	1
Accounting	3
Human resources and administration	5
Workers	96
Total	127

Relationship with staff

Our Hong Kong Legal Adviser confirmed that there were no material non-compliance by us with applicable laws and regulations including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong), Employees Compensation Ordinance (Chapter 282 of the laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong).

Our Directors confirm that we have not experienced any significant problems with the employees or disruption to the operations due to labour disputes nor have we experienced any difficulties in the retention of experienced staff or skilled personnel during the Track Record Period.

Training and recruitment policies

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

Our customers generally provide various types of trainings to our employees, including those on occupational health and safety in relation to our works. Such training courses include their internal training as well as courses organised by external parties such as the CIC and the Occupational Safety and Health Council. During the Track Record Period, we have also sponsored our staff to take tertiary education programmes to better equip them to perform the job tasks.

The remuneration package we offered to our employees includes salary and year-end performance bonuses. In general, we determine employee salaries based on each employee's 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.

PROPERTY

As at the Latest Practicable Date, we did not own any property and we leased one property with details set out as follows:

Location	Gross floor area (in approximate sq.feet.)	Lessor	Key terms of the tenancy	Usage
Unit 5, 25th Floor Billion Plaza No. 8 Cheung Yue Street Kowloon Hong Kong	911	Independent Third Party	Monthly rental of HK\$23,500 with tenancy period up to 14 June 2019	For general office and operational use

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.

LITIGATIONS AND POTENTIAL CLAIMS

Save as disclosed below, during the Track Record Period and as at the Latest Practicable Date, our member was not involved in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against our member.

During the Track Record Period, there was a personal injury claim by one of our ex-employees against us in respect of an accident (falling into a pit) which happened before the Track Record Period. The case was settled by the payment of a sum of HK\$280,000 to the employee in May 2016 which was fully covered by insurance.

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

During the Track Record Period and as at the Latest Practicable Date, there was a personal injury suffered by one of our existing employees. The case was reported to the main contractor's insurer and the Labour Department within the prescribed time limit. The injured employee claimed to suffer from left chest injury with rib fracture. As far as the Directors are aware, the employee has been and is receiving outpatient treatment and medication. As at the Latest Practicable Date, the compensation has not been determined. He may commence a claim under the Employees' Compensation Ordinance and/or a personal injury claim under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incident. As these potential claims have not yet been filed, we are not in a position to assess the likely amount of such potential claims. Our Directors confirm that we have insurance coverage either maintained by us or our customers, who are the main contractors responsible for maintaining insurance for our projects for its liabilities resulting from all these incidents and notices of such incidents have been given to the insurers as at the Latest Practicable Date and therefore are of the view that such claims as disclosed above have no material adverse impact on our operation or financial position or business. These cases were caused during usual and ordinary course of our business and have not caused disruption to our business or have an adverse impact on us to obtain any licences or permits for our operation.

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

For details of the safety measures implemented by us, please refer to the paragraph headed "Occupational Health and Safety" in this section.

NON-COMPLIANCE

Our Directors confirmed that save as disclosed below, we have complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Non-compliance with Inland Revenue Ordinance

Set out below are our non-compliances with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) ("IRO"):

01	nong Kong)	(IKO).			
	Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
(1)	Section 71(5) of the IRO	TMD failed to pay the profits tax by the due date with respect to additional tax assessment dated 16 February 2016 (for the year of assessment 2014/2015 final and 2015/2016 provisional), which was issued in addition to the estimated tax assessment dated 7 December 2015. The IRD issued the estimated assessment and the additional tax assessment as the 2014/2015 profits tax return had not yet been filed at the relevant time. TMD failed to pay the profits tax by the due date with respect to the estimated tax assessment dated 2 March 2017 (for the year of assessment 2015/2016 final and 2016/2017 provisional).	As confirmed by our Directors, the late payment of tax by TMD was due to unintentional and inadvertent oversight of the relevant finance staff, accounting and administrative clerk of TMD, who overlooked the due date of tax payable.	Late payment surcharge in the sum of HK\$2,640, which represents 5% of the tax payable under the tax demand note, was imposed on TMD. TMD had duly paid the tax payable and the 5% surcharge to the IRD on 11 May 2016. Late payment surcharge in the sum of HK\$5,187, which represents 5 % of the tax payable under the tax demand note, was imposed on TMD. TMD had duly paid the tax payable and the 5% surcharge to the IRD on 12 May 2017.	Under Section 71(5) of the IRO, the Commissioner may impose a surcharge of 5% on the total outstanding tax. As confirmed by the Legal Counsel, given that the IRD has imposed and TMD has duly paid the outstanding tax and surcharge on the late payment, TMD would not be subject to the IRD's further recovery action.
(2)	Section 51(1) of the IRO	TMD and TMC failed to furnish profits tax returns for the year of assessment 2014/15 within the prescribed time limit.	As confirmed by our Directors, TMD and TMC had been relying on our local auditors for the preparation of its filings of the profits tax returns with the IRD, who had delayed the filing of the respective profits tax returns due to oversight and misconception.	On 7 December 2015, the IRD issued an estimated assessment to TMD demanding final tax for 2014/15 and provisional tax for 2015/16 in an aggregated sum of HK\$52,907. The amount was fully settled by two installments respectively on 22 January and 31 March 2016. Further, on 16 February 2016, the IRD issued an additional assessment to TMD for the same years of assessment demanding additional tax of HK\$52,800. The amount was fully settled on 26 April 2016. On 28 May 2018, the IRD issued profits tax assessment to TMC demanding final tax for 2014/15 of HK\$216,727. The amount was fully settled on 9 July 2018. Each of TMD and TMC has respectively filed its 2014/15 profits tax returns with the IRD on or about 13 April 2016 and 6 October 2017, respectively.	Under the IRO, any person who without reasonable excuse fails to comply with the requirements of a notice given to him under section 51(1) is liable to a maximum fine of HK\$10,000 for each offence and a further fine of treble the amount of tax undercharged in consequences of the failure to comply with the notice under section 51(1). We are advised by the Legal Counsel that the chance of prosecution is remote. For TMD, it was because TMD has duly paid all outstanding tax based on the tax assessment of the IRO dated 16 February 2016, and for TMC, TMC had not received any summons for the late furnishing of profit tax return under section 51(1) of the IRO upon submitting the 2014/15 profits tax returns to the IRD. Even if there is any prosecution, the chance of maximum fine being imposed would be remote since it only involves an inadvertent omission instead of a deliberate misleading or understatement of income.

	Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
(3)	Section 51(2) of the IRO	TMC has failed to inform the IRD that it is chargeable to tax for years of assessment 2015/2016 and 2016/2017 later than four months after the end of the respective year of assessment.	As confirmed by our Directors, TMC had been relying on our local auditors for the preparation of its profits tax returns with the IRD, who had failed to inform the IRD that TMC was chargeable to tax for years of assessment 2015/2016 and 2016/2017 within the statutory time limit due to misconception.	TMC has informed the IRD that it is chargeable to tax for years of assessment 2015/2016 and 2016/2017 on 6 October 2017.	Under the IRO, any person who without reasonable excuse fails to comply with the requirements of a notice given to him under section 51(2) is liable to a maximum fine of HK\$10,000 for each offence and a further fine of treble the amount of tax undercharged in consequences of the failure to inform IRD under section 51(2).
					We are advised by the Legal Counsel that the chance of prosecution is remote as TMC had not received any summons for late furnishing of information of tax chargeable under section 51(2) of the IRO upon submitting the profits tax computation and supporting documents to the IRD that it is chargeable to tax for years of assessment 2015/2016 and 2016/2017. Even if there is any prosecution, the chance of maximum fine being imposed would be remote since it only involves an inadvertent omission instead of a deliberate misleading or under statement of income. After seeking professional advice from our independent tax adviser, our Directors noted that even if the IRD intends to impose penalty, the estimated penalty will be
					impose penaity, the estimated penaity will be approximately HK\$71,000 and HK\$140,000, respectively, for the years of assessment 2015/2016 and 2016/2017.
(4)	Section 80(2)	During the Track Record Period, the accounting treatment of certain financial statement items were erroneously applied in the historical statutory financial statements of TMD and TMC resulting in corresponding errors in the tax computations and the tax return filed with the IRD.	As confirmed by our Directors, such incorrect filings were not wilful and were due to the incorrect tax treatments adopted by our local auditors which were not in full compliance with the Hong Kong Accounting Standards. Therefore, prior year adjustments had been made and our local auditors issued the revised audited financial statements.	We have engaged the tax department of an international accounting firm as our tax representative. As at the Latest Practicable Date, we prepared the revised profits tax computations and were submitted to the IRD on 17 January 2018.	Under section 80(2) of the IRO, any person who without reasonable excuse fails to inform chargeability to tax or fails to furnish a return in time commits an offence and is liable on conviction to a fine of HK\$10,000 and treble the amount of the tax undercharged.
					Under section 82(1) of the IRO, any person who wilfully with intent to evade tax omits from a return any sum which should be included commits an offence and is liable on conviction to a fine of HK\$50,000 and treble the amount of the tax undercharged and three years of imprisonment.
					After seeking professional advice from our independent tax adviser, the Directors noted that as soon as the accounting errors were identified, we proactively informed the IRD of the necessary tax adjustments, therefore the incorrect tax filing was not done with wilful intent to evade tax, and thus section 82 of the IRO should not be applicable. Regarding section 80(2) of the IRO, there was a reasonable excuse for us to rely on the professional advice for which they have honestly and reasonably believed to be correct. Therefore, the chance of penalty under section 80(2) of the IRO is considered to be low.

Profits Tax Refiling

Prior Year Adjustments

The financial statements of TMD and TMC for the years ended 31 March 2016 and 2017 were audited and prepared by the local auditors. Around December 2017, the management of TMD and TMC performed an internal review of accounting policy and the application of the relevant accounting principles in the financial statements of TMD and TMC for the years ended 31 March 2016 and 2017. During the internal review, it was noted that (i) certain Hong Kong Accounting Standards ("HKAS"), such as HKAS 11

- Construction Contracts, HKAS 39 - Financial Instruments: Recognition and Measurement, were not applied appropriately; and (ii) there were other computational errors in the audited financial statements, for the years ended 31 March 2016 and 2017.

Accordingly, prior year adjustments for the years ended 31 March 2016 and 2017 were made and revised audited financial statements were issued by the local auditor on 29 December 2017.

Revised Profits Tax Computations

For TMD, profit before tax for the year ended 31 March 2016 was understated by approximately HK\$1.1 million mainly due to cut off error, underprovision of tax, expenses and other income and underprovision of imputed interest income. Profit before tax for the year ended 31 March 2017 was understated by approximately HK\$0.8 million mainly due to cut off error and under provision of imputed interest income.

For TMC, profit before tax for the year ended 31 March 2016 was overstated by approximately HK\$0.5 million mainly due to over provision of direct cost. Profit before tax for the year ended 31 March 2017 was understated by approximately HK\$0.1 million mainly due to under provision of direct cost.

To rectify the tax position due to the prior year adjustments and errors in previous tax computations, TMD and TMC have engaged an independent tax adviser to prepare and submit revised profits tax computations for the years of assessment 2015/16 and 2016/17 to voluntarily inform the IRD of the revised assessable profits for these two years. The revised profits tax computations were submitted to the IRD on 17 January 2018.

Up to the Latest Practicable Date, we have received and submitted the profit tax return for 2015/2016 and 2016/2017 from the IRD in relation to the revised profits tax computations for TMC. We have received and settled the assessment demanding final tax for 2016/2017 and the additional assessment demanding final tax for 2015/2016 and 2016/2017 from the IRD for TMD.

Opinion of our independent tax adviser and the Legal Counsel

After seeking professional advice from our independent tax adviser, our Directors are of the view that in all circumstances we do not have any willful intent to evade tax stipulated under section 82 of the IRO. Under section 82 of the IRO, the IRD will impose penalty to taxpayers who act willfully with an intention to evade tax. Our Directors confirm that the understatement of profits were caused by the prior year adjustments made to the historical financial statements and errors in previous tax computations for TMD and TMC. Our Directors confirm that the 2015/2016 profits tax return were previously based on the original audited financial statements audited by our local auditors who had previously opined that the historical financial statements gave a true and fair view of the financial position of TMD and TMC.

We have made additional provision for the potential tax undercharged in the amount of HK\$0.1 million and reduced tax overcharged in the amount of HK\$0.1 million for the years ended 31 March 2016 and 2017, respectively. In light of the advice of the Legal Counsel and the independent tax adviser that the chance of prosecution under section 82 of the IRO for furnishing incorrect tax return and imposing maximum penalty is low, and the estimated penalty is in aggregate approximately HK\$0.2 million, the Directors are of the view that the non-compliances will not have any material adverse impact on our financial conditions.

Based on the opinion of the Legal Counsel and the independent tax adviser, our Reporting Accountants considered the additional provision for the potential tax undercharged of HK\$0.1 million for the year ended 31 March 2016 and the reduction in provision for the potential tax overcharged of HK\$0.1 million for the year ended 31 March 2017 do not cause the historical financial information to be materially misstated.

During the Track Record Period and up to the Latest Practicable Date, there had not been any prosecution initiated against us or our Directors, nor had any of them been subject to any fine or penalty relating to the non-compliance incidents. Based on (i) the nature and reasons of the historical non-compliance incidents; (ii) views of our Legal Counsel set forth above in respect of such non-compliance; and (iii) all remedial actions and relevant enhanced internal control measures that have been implemented, our Directors believe that none of the non-compliance matters mentioned above will have any material adverse effect on our business, financial conditions and results of operations.

Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity in our favour to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements, payments, fines, actions, liabilities and any associated costs and expenses which we may incur or suffer directly or indirectly, from or on the basis of or in connection with any litigation, arbitration and/or legal proceedings against any our member which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any our member occurred at any time on or before the Listing Date. This further protects us from any material adverse consequence due to any claims incurred on or before the Listing Date. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information – tax and other indemnities" in Appendix IV to this prospectus.

Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations under the Deed of Indemnity. Our Directors, after due and careful enquiries on the facts and circumstances leading to the non-compliances, considered that the non-compliances have no material financial and operational impact on us.

Corporate governance and internal control measures to ensure ongoing compliance with applicable law and regulations

To rectify the above non-compliance incidents, we have adopted certain internal control measures to prevent reoccurrence of late tax payment and tax filing. Such internal control measures include (i) maintaining a register to record different natures of taxes to be paid and filed, tax payment and filing deadlines, responsible person and status, (ii) tax payment and filing tasks being established as an electronic to-do list items for all staff in our accounting department, and (iii) a reminder is set at least one month prior to the tax payment and filing deadline. Our accounting supervisor will further send a reminder email to all relevant staff and senior management for preparation of tax filing in advance, and the respective responsible staff will be responsible for submission of the tax filing documentation to the management for approval. Our Directors believe that with the supervision of and coordination by our accounting supervisor, the overall control in our internal control systems will be enhanced and the likelihood of late filing of return for profits tax and tax payment would be minimal in the future.

Going forward, our audit committee which comprises our three independent non-executive Directors will be responsible for reviewing the financial statements and making advice in respect of financial reporting and overseeing our internal control procedures. We will also continue to engage our independent tax adviser, which is affiliated with one of the "Big Four" accounting firms, as our tax representatives after Listing. This can further enhance the compliance of all our regulatory requirements.

Having considered the facts and circumstances leading to the non-compliance incidents and the internal control measures to avoid recurrence of these non-compliances, particularly the following:

- (i) the non-compliance incidents are not related to the character of our Directors and do not raise any concern on their integrity as such incidents did not involve any fraudulent or dishonest acts by our Directors:
- (ii) the failure to submit profits tax return and notice of chargeability to tax to IRD was due to the inadvertent oversight of finance staff, who was not familiar with this legal requirements under IRO. These non-compliances should not be taken as conclusive evidence regarding the competence of our Directors as directors of a listed company;
- (iii) as soon as our Directors were made aware of the occurrence of the non-compliance incidents, they immediately proceeded to rectify the non-compliance incidents at the first opportunity to the extent applicable;
- (iv) we have engaged an internal control consultant to review its internal control systems and has adopted and implemented the specific enhanced internal control measures against each of its historical non-compliance incidents in order to prevent re-occurrence of those incidents in the future;
- (v) no similar non-compliance incidents had occurred since the implementation of the enhanced internal control measures up to the Latest Practicable Date; and
- (vi) the non-compliance incidents were individually and collectively not material, and did not and will not have any significant financial and operational impact on us;

our Directors are of the view that the non-compliance incidents do not have any material impact on the competence and suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

In preparation for the Listing and to further improve our internal control system, in September 2017, we engaged an independent internal control consultant (the "Internal Control Consultant"), which is a reputable accounting firm, to perform an evaluation on the adequacy and effectiveness of our internal control system.

Between 9 October 2017 and 20 October 2017, the Internal Control Consultant completed the first review of our internal control system on our financial reporting and disclosure system, revenue and accounts receivables, purchase, expenditure and accounts payable, construction management, human resources and payroll, fixed assets management, cash management and treasury, taxation, connected parties transactions, general computer controls, insurance and compliance with relevant rules and regulations. During the review,

some weaknesses or insufficiencies such as in the areas of control over tax filing procedures, reliance on main contractors' employees' compensation insurance for administrative staff and control over mechanisms for monitoring potential connected parties and their transactions in our internal control system were identified.

Between (i) 5 December 2017 and 8 January 2018, and (ii) 4 September 2018 and 19 September 2018, the Internal Control Consultant performed two follow-up reviews on our internal control system and we have remediated the weaknesses or insufficiencies identified during the first review in October 2017. Our Directors confirm that the internal control measures we implemented are sufficient and could effectively ensure a proper internal control system after the Listing.

In order to strengthen our internal control system, we have also adopted or will adopt the following key measures:

- (i) on 6 December 2017, our Directors attended a training session conducted by our Hong Kong Legal Adviser on the ongoing obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
- (ii) we have engaged Pulsar Capital as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company.
- (iii) we shall establish system and manuals in relation to, among others, distribution of annual or interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the GEM Listing Rules.
- (iv) we will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the paragraph headed "Relationship with our Controlling Shareholders Corporate Governance Measures" of this prospectus. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after Listing;
- (v) we shall establish policies and procedures for our compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) including guidelines in relation to bribery, corruption and fraudulent activities, which strictly prohibit paying or receiving bribes and kickbacks in commercial transactions. We shall include internal regulations in our employee handbook and our anti-corruption policy for accepting rewards or advantages. Employees in violation are subject to penalties, including termination of employment.
- (vi) we have established an audit committee which comprises all of our independent non-executive Directors, namely Ms. Tang Shui Man, Dr. Fok Wai Sun and Mr. Yuk Kai Yao. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing our financial reporting, risk management and internal control systems, and ensuring compliance with the relevant laws and regulations. For the

biographical details of our independent non-executive Directors, please refer to the section headed "Directors and Senior Management – Independent non-executive Directors" of this prospectus;

- (vii) we have appointed Ms. Ho Siu Pik as our company secretary, to be responsible for keeping and updating our statutory records, managing secretarial matters and to ensure ongoing compliance with the Companies Ordinance. Ms. Ho will also report to our audit committee in case any such non-compliances occur; and
- (viii) when considered necessary and appropriate, we will seek professional advice and assistance from external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

Our management team including executive Directors are responsible for identifying risks and internal control deficiencies, evaluating our internal control system from time to time and implementing additional control measures, if necessary, to improve our internal control system. Results of our internal assessments, internal surveys, and routine inspections would be reported to our Directors, who are responsible for reviewing our financial information and supervising our financial reporting system and internal controls procedures.

Credit risk management

We are exposed to credit risk which may cause financial loss to us if our customers failed to discharge their payment obligations. In order to minimise the credit risk, the payment terms of all contracts must be approved by our executive Directors. Before deciding whether to submit a quotation, we will consider factors such as creditworthiness of the relevant customers and the contract terms.

We seek to maintain strict control over our outstanding trade receivables as well as retention receivables to minimise credit risk. Our management reviews overdue balances regularly and sends out payment reminders for such balances. We take into account the length of business relationship, ageing of receivable balances, financial strength and repayment history of our customers for monitor the payments. For overdue balances, our executive Directors will be alerted and appropriate follow up action will be taken. When the trade receivable balances remain unsettled after the agreed credit terms, they will be classified as overdue.

OVERVIEW

Immediately following completion of the Capitalisation Issue and Share Offer (without taking into account the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme), Talent Prime (an investment holding company owned as to 50% by Mr. Ha and 50% by Mr. Ip) will control 69.75% of our Company's issued share capital. For the purpose of the GEM Listing Rules, Mr. Ha, Mr. Ip, and Talent Prime are the Controlling Shareholders of the Company.

On 18 December 2017, Mr. Ha and Mr. Ip entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert of each of our members since the date they both held direct or indirect shareholding interests in each of our members and continue as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the section headed "History, Development and Reorganisation – Parties acting in concert" in this prospectus.

As such, Mr. Ha and Mr. Ip, through Talent Prime, will act in concert to exercise their voting rights in our Company and they together will be interested in a total of 69.75% of the issued share capital of our Company upon completion of the Share Offer.

Each of Mr. Ha, Mr. Ip and Talent Prime confirms that he or it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

In the opinion of our Directors, we are capable of carrying on our business 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

We have an independent financial system and makes financial decisions according to our business needs. During the Track Record Period, certain contractual arrangements and bank borrowings were guaranteed by personal guarantees of our Controlling Shareholders, please refer to the section headed "Financial Information – Indebtedness" of this prospectus and Note 31 (Related Party Disclosure) of the Accountants' Report set out in Appendix I to this prospectus for further details. All the above guarantees provided to us will be released upon Listing. We have sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

(ii) Operational independence

We have established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. We have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates. Our Directors are of the view that there is no operational dependence on the Controlling Shareholders.

Although we have entered into certain transactions with a connected person to our Company which are expected to continue upon Listing, such transactions will be entered into on normal commercial terms and in the ordinary course of business of our Company. Please refer to the section headed "Connected Transactions" in this prospectus for further details.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our business. The main functions of our Board include the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our policies and strategies.

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Ha is an executive Director and the Chairman. Mr. Ip is an executive director and the Chief Executive Officer. Mr. Ha and Mr. Ip are the directors of Talent Prime, which is a Controlling Shareholder. Save for Mr. Ha and Mr. Ip, no other Directors nor members of our senior management hold any directorship or position in Talent Prime.

We consider that our Board and senior management are capable of managing our business independently from the Controlling Shareholders because:

- each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his/her personal interest to exist;
- the three independent non-executive Directors have extensive experience in different areas and
 have been appointed in accordance with the requirements of the GEM Listing Rules to ensure
 that the decisions of our Board are made only after due consideration of independent and
 impartial opinions;
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between us and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum present at the particular Board meeting;
- connected transactions between us and our Controlling Shareholders or our respective
 associates are subject to the requirements under the GEM Listing Rules, including the
 requirements of reporting, announcement and independent Shareholders' approval (where
 applicable); and
- in addition, save as disclosed in the section headed "Directors and Senior Management Senior Management" in this prospectus, our senior management team is independent from the Controlling Shareholders.

RULE 11.04 OF THE GEM LISTING RULES

The Controlling Shareholders, Directors and their respective close associates do not have any interest in a business apart from our business which competes and is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

LOCK-UP UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders, namely Mr. Ha, Mr. Ip and Talent Prime, have given an undertaking to the Sole Bookrunner, the Joint Lead Managers and the Underwriters that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, each of our Controlling Shareholders shall not and shall procure that his/its associates or companies controlled by him/it or any nominees or trustees holding the Shares in trust for him/it (as the case may be) shall not:

- (a) within the period commencing on the date by reference to which disclose of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date (the "First Lock-up Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is or they are shown by this prospectus to be the beneficial owner(s); or
- (b) within the period of 12 months commencing on the date on which the First Lock-up Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares referred to in the preceding paragraph if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a Controlling Shareholder.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between us and our Controlling Shareholders, Talent Prime, Mr. Ha and Mr. Ip (each a "Covenantor" and collectively the "Covenantors") have entered into the Deed of Non-competition with our Company (for itself and on behalf of its subsidiaries) on 21 September 2018. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and on behalf of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any our member) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activities of any our member.

Each of the Covenantors further undertakes that if any of him/it or his/its close associates other than any our member is offered or becomes aware of any business opportunity which may compete with our business, he/it shall (and he/it shall procure his/its associates to) notify us in writing and we shall have a right of first refusal to take up such business opportunity. We shall, within 6 months after receipt of the

written notice (or such longer period if we are required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether we shall exercise the right of first refusal or not.

We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and the Shareholders as a whole. To avoid potential conflicts of interest, we shall implement the following measures:

- in the event that there is a potential conflict of interest arising out of any transaction to be
 entered into between us and our Directors (or their associates), the interested Directors shall
 abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or his associates has/have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (iii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;

- (iv) our Controlling Shareholders undertake to provide all information requested by us which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (a) the compliance with the Deed of Non-competition; and (b) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our Company's annual report after Listing; and
- (vi) we have appointed Pulsar Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and corporate governance. Please refer to the section headed "Directors and Senior Management Compliance Adviser" in this prospectus for further details in relation to the appointment of compliance adviser.

CONNECTED TRANSACTIONS

OVERVIEW

The following transactions have been carried out by us and connected persons of the Company during the Track Record Period and are expected to be continued following the Listing.

CONNECTED PERSONS

Mr. Ha is our Director and Controlling Shareholder, and therefore is a connected person of our Company under the GEM Listing Rules.

Kaiser Global, a private company limited by shares, is wholly owned by Ms. Ha Tsit Hung, who is Mr. Ha's sister. Therefore, Kaiser Global is a connected person of our Company under the GEM Listing Rules. The principal business of Kaiser Global is trading of painting materials, antiskid road surfacing materials, and provision of related installation services.

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the GEM Listing Rules.

Kaiser Global Framework Agreement

Grand Talents will enter into a framework agreement (the "Kaiser Global Framework Agreement") before Listing with Kaiser Global, a company wholly owned by Ms. Ha Tsit Hung, pursuant to which Kaiser Global agreed to provide painting materials and antiskid road surfacing materials and related installation services to us upon request for a term from the Listing Date and ending on 31 March 2021.

Reasons for and benefits of the transaction

Prior to Listing, we have received painting materials and antiskid road surfacing materials and related installation services from Kaiser Global.

The purpose of the Kaiser Global Framework Agreement is to enable us to engage Kaiser Global to provide painting materials as well as all technical and professional labour and materials for the antiskid road surfacing materials and related installation services for our business.

For the years ended 31 March 2016, 2017 and 2018, the aggregate amount of purchase and service we paid to Kaiser Global in relation to the painting materials and antiskid road surfacing materials and related installation services amounted to approximately HK\$114,000, nil and HK\$483,000, respectively. The increase in the amount of purchases and service fee for year ended 31 March 2018 was due to different payment arrangements between us and the main contractor of the relevant project and Kaiser Global for different projects. The maximum annual amount of purchase and service fee to be payable by us to Kaiser Global for the years ending 31 March 2019, 31 March 2020 and 31 March 2021 is HK\$600,000, HK\$600,000 and HK\$600,000, respectively. In determining the maximum annual amount, we have

CONNECTED TRANSACTIONS

considered the historical amount of purchase and service paid to Kaiser Global, as well as our estimated needs and demand for painting materials and antiskid road surfacing materials and released installation services from Kaiser Global for our ongoing projects A4 and A7 and future projects.

Pricing policy

The price payable for the products and services by us to Kaiser Global shall be agreed after arm's length negotiation between the parties with regard to the prevailing market rates of similar products and services from time to time. In order to ensure that the prices are fair and reasonable and in line with prevailing market rates, (i) we will obtain quotations of painting materials and antiskid road surfacing materials and related installation services which are of similar nature, quantity and delivery time frame from Independent Third Parties providers and (ii) Kaiser Global will provide quotations submitted to its Independent Third Parties customers for similar materials/services not less frequently than on a quarterly basis.

Our Directors (including our independent non-executive Directors) opine that the terms of the Kaiser Global Framework Agreement are on normal commercial terms or better (as defined in Chapter 20 of the GEM Listing Rules) and are entered into in our ordinary and usual course of business, which are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Listing Rules implications

As it is expected that the highest relevant percentage ratio (other than the profits ratio) in respect of the purchase amount and service fee to be payable by us to Kaiser Global under the Kaiser Global Framework Agreement is, on an annual basis, less than 5%, and the total consideration will be less than HK\$3,000,000 in aggregate, and is on normal commercial terms, the transaction contemplated under the Kaiser Global Framework Agreement is exempted from independent Shareholders' approval, annual review and all disclosure requirements under the GEM Listing Rules by virtue of Rule 20.74(1)(c) of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining us	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s) and senior management
Executive Directors						
Mr. Ha Chak Hung (夏澤虹)	43	Chairman and executive Director	8 June 2010	23 October 2017	Overall strategic management and development of our business operations	Brother-in-law of Ms. Chung Miu Chi
Mr. Ip Chu Shing (葉柱成)	47	Chief Executive Officer and executive Director	8 June 2010	23 October 2017	Overseeing our operation, business development, human resources, finance and administration	None
Non-executive Director						
Mr. Lau Yik Lok (劉亦樂)	56	Non-executive Director	15 December 2017	15 December 2017	Advising on our management and strategic development	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of joining us	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s) and senior management		
Independent Non-executive Directors								
Ms. Tang Shui Man (鄧瑞文)	38	Independent non- executive Director	21 September 2018	21 September 2018	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of our strategy, performance, resources and standard of conduct	None		
Mr. Yuk Kai Yao (郁繼燿)	38	Independent non- executive Director	21 September 2018	21 September 2018	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of our strategy, performance, resources and standard of conduct	None		
Dr. Fok Wai Sun (霍惠新)	46	Independent non- executive Director	21 September 2018	21 September 2018	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of our strategy, performance, resources and standard of conduct	None		

EXECUTIVE DIRECTORS

Mr. Ha Chak Hung (夏澤虹) ("Mr. Ha"), aged 43, is the Chairman and executive Director of our Group. Mr. Ha was appointed as a Director on 23 October 2017 and was redesignated as our executive Director on 21 September 2018. Mr. Ha is responsible for the overall strategic management and development of our business and operations. Mr. Ha is currently a director of TMC and TMD. He is also a member of the Remuneration Committee and Nomination Committee.

Mr. Ha graduated with a Bachelor of Business Administration from Chu Hai College in January 2000. He also completed a Postgraduate Certificate in Business and Management in University of Bradford in July 2014 through distance learning.

Mr. Ha has over 16 years of experience in the roads and highways management and maintenance industry. Mr. Ha began his career as a sales executive in Wah Lam Construction Co., Limited from 1999 to 2001. He then worked as a sales manager in Hongkong United Dockyards Limited from 2001 to 2004. Later, he worked in Good Intelligent Development Engineering Limited from May 2005 to April 2010 and Mr. Ha's major roles and responsibilities included projects co-ordination, marketing and business development. Throughout the period, he acquired extensive knowledge and expertise in the roads and highway management and maintenance industry by participating in different construction projects.

Mr. Ip Chu Shing (葉柱成) ("Mr. Ip"), aged 47, is the Chief Executive Officer and executive Director of our Group. Mr. Ip was appointed as a Director on 23 October 2017 and was redesignated as an executive Director on 21 September 2018. Mr. Ip is responsible for overseeing our operations, business development, human resources, finance and administration. Mr. Ip is currently a director of TMC and TMD.

Mr. Ip obtained a Bachelor of Science in Civil Engineering and a Master of Science in Civil Engineering from San Jose State University in December 1994 and December 1998 respectively.

Mr. Ip has over 23 years of experience in the civil engineering industry, during which he gathered extensive knowledge of the industry and established close relationships with customers, suppliers and subcontractors alike. Mr. Ip began his career as a site engineer in Kin Wing Engineering Company Limited in September 1994 with his last position held as a project engineer in 1997. He then worked as an assistant engineer in Atkins China Limited from May 1997 to August 1997. From 1997 to 1998, Mr. Ip worked as a project manager in Man Wah General Contractor Company Inc. in the United States. He also worked as a design engineer in T. Y. Lin International Consultant Limited in the United States from 1999 to 2000. From 2000 to 2001, Mr. Ip worked as a transportation engineer in California Department of Transportation in the United States. After working as a project engineer in HUD General Engineering Services Limited from 2001 to 2003, he worked as a project manager in Ki Wan Development Limited from April 2005 to December 2010.

Mr. Ip was a director of the following companies which were incorporated in Hong Kong prior to their dissolutions by deregistration with details as follows:

	Nature of business immediately prior to				
Name of Company	dissolution	Date of dissolution			
Graceful International Trading Limited (思慈國際貿易有限公司) (Note)	Trading	28 July 2006			
Healthy Wealthy International Limited (活之源國際有限公司) (Note)	Trading	25 January 2008			

Note:

Graceful International Trading Limited (思慈國際貿易有限公司) and Healthy Wealthy International Limited (活之源國際有限公司) were deregistered under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Ip confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolutions of the above companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies.

NON-EXECUTIVE DIRECTOR

Mr. Lau Yik Lok (劉亦樂) ("Mr. Lau"), aged 55, was appointed as our non-executive Director on 15 December 2017. Mr. Lau is responsible for advising on our management and strategic development.

After completing secondary education in Hong Kong in 1980, Mr. Lau worked as a supervisor at Standard Chartered Bank (Hong Kong) Limited from 1983 to 1989. He then worked in DBS Bank (Hong Kong) from November 1993 to August 2001 with his last position held as an assistant manager. He subsequently worked in Asia Commercial Bank with his last position held as an account manager from September 2001 to August 2003. From 2003 to 2009, he worked as a group consultant in JB Group. He has been the managing director of Excellent Network Limited since 2010. Mr. Lau has also been the independent non-executive director of Pak Wing Group (Holdings Limited) (a company listed on the GEM of the Stock Exchange (Stock Code: 8316)) since May 2017.

Mr. Lau was a director of the following companies incorporated in Hong Kong prior to their dissolutions by striking off with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Ace Bond International Limited (富旺國際有限公司) (Note 1)	Trading	21 June 2013
E.M. Emirates (Pan Asia) Limited (Note 2)	Trading	19 September 2014

Notes:

- 1. Ace Bond International Limited (富旺國際有限公司) was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.
- E.M. Emirates (Pan Asia) Limited was struck off and dissolved pursuant to section 746 of the Companies Ordinance. Under section 746 of the Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

Mr. Lau confirmed that (i) Ace Bond International Limited and E.M. Emirates (Pan Asia) Limited were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolutions of the above companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tang Shui Man (鄧瑞文) (Ms. Tang), aged 38, was appointed as our independent non-executive Director on 21 September 2018. She is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Ms. Tang is responsible for providing independent judgement on the issues of our strategy, performance, resources and standard of conduct.

Ms. Tang obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in June 2003.

Ms. Tang worked in Shinewing (HK) CPA Limited from February 2004 to September 2005 with her last position held as an audit semi senior. She then worked in Deloitte Touche Tohmatsu from September 2005 to September 2007 with her last position held as an audit senior. Ms. Tang subsequently worked in Benetton Asia Pacific Limited from October 2007 to January 2009 with her last position held as a financial analyst. She also worked in i.t apparels Limited, a subsidiary of I.T Limited (a company listed on the Main Board of the Stock Exchange (stock code: 0999)) from January 2009 to August 2009 with her last position held as an assistant internal audit manager. She further worked in BWC Capital Markets Limited from September 2009 to July 2010 with her last position held as an internal audit and compliance director. Ms.

Tang had been the independent non-executive director of China Finance Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 875) from December 2014 to June 2017. Ms. Tang has been working in Tang Clansmen Association as an accounting consultant since 2013.

Ms. Tang has been a member of the Hong Kong Institute of Certified Public Accountants since July 2011. She has also been a member and fellow member of the Association of Chartered Certified Accountants since October 2007 and October 2012 respectively.

Mr. Yuk Kai Yao (郁纖煌) ("Mr. Yuk"), aged 38, was appointed as our independent non-executive Director on 21 September 2018. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Yuk is responsible for providing independent judgement on the issues of our strategy, performance, resources and standard of conduct.

Mr. Yuk obtained a Bachelor of Economics and Finance from The University of Hong Kong in December 2004.

Mr. Yuk worked in Shanghai Commercial Bank Limited as a graduate trainee in July 2004 with his last position held as an assistant operations officer in March 2007. He then worked in Standard Chartered Bank (Hong Kong) Limited from March 2007 to September 2007 with his last position held as a manager. Mr. Yuk subsequently worked in The Hong Kong and Shanghai Banking Corporation Limited from September 2007 to March 2012 with his last position held as an associate director. He also worked as a vice president in Hao Tian Management (Hong Kong) Limited, a subsidiary of Hao Tian Development Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0474) from January 2013 to December 2015. He has been a vice president of sales & marketing department of KP Financial Holdings Limited, a subsidiary of China Financial Services Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0605) since January 2016.

Mr. Yuk was a director of the following company incorporated in Hong Kong prior to its dissolution by deregistration with details as follows:

Nature of business immediately prior to

Name of Company dissolution Date of dissolution

Great Century Global Company Limited (宏耀環球有限公司) (Note)

Trading 22 January 2016

Note:

Great Century Global Company Limited was deregistered under section 751 of the Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Yuk confirmed that (i) Great Century Global Company Limited was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the above dissolution of Great Century Global Company Limited; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Great Century Global Company Limited.

Dr. Fok Wai Sun (霍惠新) ("**Dr. Fok"**), aged 46, was appointed as our independent non-executive Director on 21 September 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. Dr. Fok is responsible for providing independent judgment on the issues of our strategy, performance, resources and standard of conduct.

Dr. Fok obtained a Bachelor of Science in Civil Engineering from San Jose State University in May 1994 and Master of Business Administration in Management from Golden Gate University in April 1995. He later obtained a Bachelor of Science in Quantity Surveying from The University of Reading through distance learning in December 2005. He further obtained a Master of Science in Finance from City University of Hong Kong in November 2006. He continued to pursue his education and graduated with a Doctor of Philosophy in Engineering Management from Neuva Ecija University of Science and Technology in Republic of Philippines through distance learning in June 2010.

Dr. Fok worked as an assistant engineer in United Reliance Corporation Limited from July 1995 to March 1996. He then worked as an analyst in Hopewell Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0054), from January 1997 to June 1998. Dr. Fok later worked as a quantity surveyor in Pui Hing Construction Company Limited from January 1999 to August 1999. He then worked as a project manager in KPA Engineering Limited from March 2000 to August 2000. He subsequently worked as a quantity surveyor/estimator in Lam Geotechnics Limited from September 2000 to February 2002. Dr. Fok also worked as a technical manager in Stanger Asia Limited from May 2002 to November 2012. He has been a senior manager in Castco Testing Centre Limited since December 2012.

Dr. Fok was admitted to memberships of the following institutions and bodies:

Name of institution	Membership grade	Active period of membership
Hong Kong Institution of Engineers	Member	August 2016 – Present
Hong Kong Concrete Institute	Fellow member	May 2016 - Present
The Royal Institute of Chartered Surveyors	Professional member	April 2007 – April 2008
The Institution of Civil Engineers	Member	March 2006 - Present
The Chartered Institute of Building	Member	June 2003 – June 2004
The Chartered Institute of Arbitrators	Associate	December 2002 – December 2003
The American Society of Civil Engineers	Member	June 2001 - Present

Dr. Fok has been a certified cost engineer of the Association for Advancement of Cost Engineering and a chartered engineer accredited by Engineering Council in the United Kingdom since February 2002 and April 2006 respectively.

Dr. Fok was a director of the following company incorporated in Hong Kong prior to its dissolution by deregistration with details as follows:

Nature of business immediately prior to

Name of Company dissolution Date of dissolution

Stanger Testing Limited (Note) Laboratory testing 10 July 2009

Note:

Stanger Testing Limited was deregistered under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Dr. Fok confirmed that (i) Stanger Testing Limited was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the dissolution of Stanger Testing Limited; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Stanger Testing Limited.

DIRECTORS' INTERESTS

Save as disclosed in the paragraph headed "C. Further information about substantial shareholders, directors and experts" in Appendix IV to 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 (as defined under the GEM Listing Rules), or senior management of our Company; and (iii) had not held any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding to the Latest Practicable Date.

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 our 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 following table sets forth certain information of our senior management:

Name	Age	Present Position	Date of joining us	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Chung Miu Chi (鍾妙姿)	35	Accounting Supervisor	2 January 2017	2 January 2017	Overall management and operations of finance and accounting	Sister-in-law of Mr. Ha
Mr. Fung Ki Wai (馮基偉)	41	Project Manager	16 August 2010	1 July 2013	Overseeing and monitoring our projects, operations and business development	None
Mr. Chan Hon Wai (陳漢偉)	48	Site Agent	1 October 2012	1 October 2012	Overseeing our projects' on- site activities on a day-to- day basis	None
Mr. Leung Wai Man Andrew (梁衛民)	47	Safety Officer	18 June 2012	1 July 2013	Monitoring our projects' on- site activities to ensure that workers comply with our policies and Government safety regulations	None

Ms. Chung Miu Chi (鍾妙姿) ("Ms. Chung"), aged 35, was appointed as our accounting supervisor on 2 January 2017. She is responsible for our overall management and operations of finance and accounting.

Ms. Chung obtained a Diploma in Pitman Secretarial Studies from Man Sheung College in July 2001. She completed a full-time English Language Intensive Course for Overseas Students held by Central TAFE in Perth, Western Australia in November 2002.

Prior to joining us, Ms. Chung worked as a temporary clerk in Crosston International Investment Limited from January 2003 to April 2003. She then worked as a contract clerk in Bureau Veritas Consumer Products Services Hong Kong Ltd. from February 2004 to February 2005. Ms. Chung later worked in Sheen Busy Limited from October 2005 to March 2006 with her last position held as a site clerk. She further worked as a site clerk in China State Construction Limited and New Fordly Engineering Limited from January 2007 to May 2008 and May 2010 to April 2011 respectively. Ms. Chung subsequently worked as an administration clerk in Kaiser Global (Hong Kong) Company Limited and Kaiser Global from May 2011 to February 2015 and from March 2015 to December 2016 respectively.

Ms. Chung is the sister-in-law of Mr. Ha.

Mr. Fung Ki Wai (馮基偉) ("Mr. Fung"), aged 41, is our project manager. Mr. Fung first joined us as a site agent in August 2010 and was appointed as our project manager on 1 July 2013. Mr. Fung is responsible for overseeing and monitoring our projects, operations and business development.

Mr. Fung obtained a Degree of Bachelor of Engineering from The University of Liverpool in July 2005.

Prior to joining us, Mr. Fung worked as an assistant foreman in VAST-AUST Limited from 1996 to 2001. Mr. Fung worked as a works supervisor assistant in Highways Department from July 2001 to September 2003. From 2005 to 2010, he worked as a site agent Good Intelligent Development Engineering Limited.

Mr. Chan Hon Wai (陳漢偉) ("Mr. Chan"), aged 48, is our site agent. Mr. Chan has been our site agent since 1 October 2012. Mr. Chan is responsible for overseeing our projects' on-site activities on a day-to-day basis.

Mr. Chan completed secondary education in Hong Kong in 1986.

Prior to joining us, Mr. Chan worked as an assistant foreman from 1987 to 1991. He then worked as a foreman in Wing Fai Construction Company Limited in 1991 with his last position held as a site agent in 1998. He later worked as a site agent in Hung Mau Realty & Construction Company Limited (currently known as CPC Construction Hong Kong Limited, a subsidiary of Chevalier International Holdings Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 0025)) and Chiu Hing Construction & Transportation Company Limited from 1998 to 1999 and 1999 to 2000 respectively. Mr. Chan re-joined Hung Mau Realty & Construction Company Limited as a site agent from 2000 to 2004. He further worked as a site agent in Good Intelligent Development Engineering Limited from 2005 to 2009.

Mr. Leung Wai Man Andrew (梁衛民) ("Mr. Leung"), aged 47, is our safety officer. Mr. Leung first joined us as a safety supervisor in June 2012 and he was appointed as our safety officer on 1 July 2013. Mr. Leung is primarily responsible for monitoring our projects' on-site activities to ensure that workers comply with our Company's policies and Government safety regulations.

Mr. Leung completed a Safety Supervisor Training Course held by Hong Kong Human Resources Limited in July 2009. He obtained a Professional Diploma in Occupational Safety & Health from School of Continuing Education Hong Kong Baptist University in March 2013. Mr. Leung then obtained a training certificate in Safety at Road Works issued by Occupational Safety & Health Council in October 2013. He further completed a 4-hour Safety Training Techniques Course and a 6-hour Safe Working Cycle Course held by the CIC in October 2013 and December 2013 respectively.

Mr. Leung has over 25 years of experience in the construction industry, having entered the construction industry as a construction apprentice in 1992. Prior to joining us, he worked as a safety supervisor in Welcome Construction Limited from 2011 to 2012.

To the best knowledge of our Directors, each of the members of our senior management had not held any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding to the Latest Practicable Date.

COMPANY SECRETARY

Ms. Ho Siu Pik (何小碧) ("Ms. Ho"), was appointed as our Company Secretary on 21 November 2017.

Ms. Ho is a director of Corporate Services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

Ms. Ho is a chartered secretary and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the practitioner's endorsement from The Hong Kong Institute of Chartered Secretaries. Ms. Ho holds an Honours Diploma in Company Secretaryship and Administrators from Lingnan College (now known as Lingnan University), a Diploma in International Trust Management of the Society of Trust and Estate Practitioners and a Master of Business Administration degree from University of Wales.

Ms. Ho has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ho is currently the company secretary or joint company secretary of five listed companies on Stock Exchange, namely, Asia Cement (China) Holdings Corporation (stock code: 743), China Molybdenum Co., Ltd. (stock code: 3993), Goodbaby International Holdings Limited (stock code: 1086), Natural Beauty Bio-Technology Limited (stock code: 157), and Summit Ascent Holdings Limited (stock code: 102).

As Ms. Ho is supported by different designated teams of professional staff within Tricor Services Limited, she is of the view that she is able to allocate sufficient time and resources to perform her role as the Company Secretary.

In respect of the appointment of Ms. Ho as the Company Secretary, Ms. Ho acts as an external corporate service provider rather than our individual employee. Pursuant to paragraph F.1.1 of the Corporate Governance Code, an issuer can engage an external service provider as its company secretary, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact. We are well aware of the importance of the company secretary in supporting our Board on governance matters. Taking into account Ms. Ho's background and experience, both our Directors and Ms. Ho are of the view that there will be sufficient time and resources for Ms. Ho to fulfill her role as the Company Secretary.

COMPLIANCE OFFICER

Mr. Ha is the compliance officer of our Company. For details of his biographical details, please refer to the paragraph headed "Executive Directors" in this section.

COMPLIANCE ADVISER

We have appointed Pulsar Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company in the following circumstances:

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

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes the annual report of its financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Except for (i) Pulsar Capital's role as the Sole Sponsor in relation to the Listing for the Share Offer; (ii) the compliance adviser agreement entered into between our Company and Pulsar Capital; and (iii) the Underwriting Agreements, Pulsar Capital does not have any other contractual arrangement with us as at the Latest Practicable Date.

BOARD COMMITTEES

Our Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

Our Company has established the Audit Committee on 21 September 2018 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The Audit Committee comprises of three members, namely Ms. Tang Shui Man, Mr. Yuk Kai Yao and Dr. Fok Wai Sun. Our Company has appointed Ms. Tang Shui Man as the chairman of the Audit Committee because of her experience in audit and compliance matters, and she has been a member of the Hong Kong Institute of Certified Public Accountants and a member and fellow member of the Association of Chartered Certified Accountants. Please refer to the section headed "Directors and Senior Management — Independent Non-Executive Directors" for detailed description of Ms. Tang's experience. The principal duties of the Audit Committee are, among other things, to review and supervise our financial reporting process and internal control system, review of our financial information, review our relationship with the external auditor and the performance of the corporate governance functions delegated by our Board.

Remuneration Committee

Our Company has established the Remuneration Committee on 21 September 2018 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The Remuneration Committee comprises of four members, namely Mr. Ha, Ms. Tang Shui Man, Mr. Yuk Kai Yao and Dr. Fok Wai Sun. Dr. Fok Wai Sun is the chairman of the Remuneration Committee. The principal duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our policy and structure for all remuneration of our Directors and senior management.

Nomination Committee

Our Company has established the Nomination Committee on 21 September 2018 with written terms of reference in compliance with paragraph A.5.2 of the Code. The Nomination Committee comprises of four members, namely Mr. Ha, Ms. Tang Shui Man, Mr. Yuk Kai Yao and Dr. Fok Wai Sun. Our Company has appointed Mr. Yuk as the chairman of the Nomination Committee because of his managerial experience in various banks and listed companies that we believe he has the networks of good personnel and the knowledge that could contribute to the Board in formulating nomination policy. Please refer to the section headed "Directors and Senior Management — Independent Non-executive Directors" for detailed description of Mr. Yuk's experience. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code and the associated GEM Listing Rules. In order to comply with the requirements under the GEM Listing Rules, in particular, the code provisions contained in the Code, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the Audit committee, Remuneration committee and Nomination committee on 21 September 2018 with respective written terms of reference in accordance with the code provisions contained in the Corporate Governance Code. Further information is set out in the paragraphs headed "Audit Committee", "Remuneration Committee" and "Nomination Committee" in this section;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders' communication policy in accordance with the code provision of the Code.
- (iii) we will arrange appropriate insurance cover on our Directors' liabilities in respect of legal actions against our Directors arising out of corporate activities before Listing;
- (iv) we have appointed three independent non-executive Directors representing more than one-third of the Board and at least one of them has accounting expertise;

- (v) the Chairman of our Board is Mr. Ha whereas the chief executive of our Company is Mr. Ip. The roles of the Chairman and the chief executive will be separate and distinct;
- (vi) our Directors will operate in accordance with the Articles which require the interested Director not to vote or be counted in the quorum on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested;
- (vii) our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (viii) our Company has adopted a comprehensive compliance manual covering legal and regulatory compliance with reference of the Corporate Governance Code;
- (ix) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure ongoing compliance after Listing; and
- (x) our Directors will attend professional development seminar including but not limited to the corporate governance to ensure ongoing compliance after Listing.

Our Company is expected to comply with the Code which sets out the principles of good corporate governance in relation to, among others, our Directors, chairman and chief executive of officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Board will review our Company's policies and practices on corporate governance from time to time. Our Company will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits in kind, including our contribution to the pension scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the three years ended 31 March 2018 were approximately HK\$360,000, HK\$360,000 and HK\$868,000, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management for each of the three years ended 31 March 2018 were approximately HK\$819,750, HK\$1,077,817 and HK\$1,578,000 respectively.

The aggregate amount of contributions to retirement benefits scheme we paid to our Directors for the three years ended 31 March 2018 were approximately nil, nil and HK\$68,000, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to us. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information – C. Further information about substantial shareholders, Directors and experts – 3. Remuneration of Directors" in Appendix IV to this prospectus.

The emoluments paid to our five highest paid individuals (excluding Directors) in aggregate for the three years ended 31 March 2018 were approximately HK\$1,844,000, HK\$2,200,000 and HK\$1,565,000, respectively. During the Track Record Period, no emolument was paid by us to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining us or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by us to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 12 in the Accountants' Report set out in Appendix I to this prospectus.

MANDATORY PROVIDENT FUND SCHEME

We participate in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that we have made the relevant contributions in accordance with the aforesaid laws and regulations. Save for the aforesaid, we did not participate in any other pension schemes during the Track Record Period.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on 21 September 2018. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward our employees, our Directors and other selected participants for their contributions to us. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to this prospectus.

AUTHORISED AND ISSUED SHARE CAPITAL

The share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer is set out in the table below. The table is prepared on the basis of the Share Offer becoming unconditional and the issue of Offer Shares pursuant thereto is made as described herein. It takes no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

Authorised share of	capital	HK\$
1,000,000,000	Shares of HK\$0.01 each	10,000,000
Issued and to be a Issue and the Shar	issued, fully paid or credited as fully paid upon completion of re Offer:	the Capitalisation
10,000	Shares in issue as at the date of this prospectus	100
359,990,000	Shares to be issued pursuant to the Capitalisation Issue	3,599,900
120,000,000	Shares to be issued pursuant to the Share Offer	1,200,000
480,000,000	Total	4,800,000
Assuming the Offe	r Size Adjustment Option is exercised in full, Shares in issue	
or to be issued,	fully paid or credited as fully paid:	HK\$
10,000	Shares in issue as at the date of this prospectus	100
359,990,000	Shares to be issued under the Capitalisation Issue	3,599,000
120,000,000	Shares to be issued under the Share Offer	1,200,000
	Shares to be issued upon the exercise of the Offer Size	
18,000,000	Adjustment Option in full	180,000
Total		
498,000,000	Shares	4,980,000

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 all times be held by the public. The 120,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and, in particular, will be entitled to all dividends or other distributions hereafter declared, made or paid on the Shares after the date of this prospectus save for the entitlements under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 21 September 2018, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 359,990,000 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company at the close of business on 21 September 2018 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of capitalisation of the sum of HK\$3,599,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 September 2018. Details of the principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

We did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

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 or such securities convertible into Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed "General mandate to repurchase shares" in this section below.

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

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to the section headed "Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our existing Shareholders passed on 21 September 2018" 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 powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "A. Further information about our Company – 6. Repurchase of our Shares by our Company" in Appendix IV to this prospectus.

The general mandate to issue and repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of the next general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) the time when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting,

For further details of this general mandate, please refer to the paragraphs headed "A. Further information about our Company – 3. Written resolutions of our existing Shareholders passed on 21 September 2018" and headed "A. Further information about our Company – 6. Repurchase of our Shares by our Company" 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, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme and the Offer Size Adjustment Option), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings or any our other members:

Long position in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of fully paid Shares held/ interested as at 17 January (Note 6)	Percentage of shareholding as at 17 January (Note 6)	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Talent Prime (Note 1)	Beneficial owner	1	100%	334,800,000	69.75%
Mr. Ha (Note 1)	Interest of a controlled corporation	1	100%	334,800,000	69.75%
Ms. Chung (Note 2)	Interest of spouse	1	100%	334,800,000	69.75%
Mr. Ip (Note 1)	Interest of a controlled corporation	1	100%	334,800,000	69.75%
Ms. Lee (Note 3)	Interest of spouse	1	100%	334,800,000	69.75%
Infinite Honor (Note 4)	Beneficial owner	0	0%	25,200,000	5.25%
Mr. Lau (Note 4)	Interest of a controlled corporation	0	0%	25,200,000	5.25%
Ms. Zhao (Note 5)	Interest of spouse	0	0%	25,200,000	5.25%

SUBSTANTIAL SHAREHOLDERS

Notes:

- 1. Each of Mr. Ha and Mr. Ip beneficially owns 50% of the issued share capital of Talent Prime. Therefore, Mr. Ha and Mr. Ip are deemed to be interested in all the Shares held by Talent Prime for the purpose of the SFO. Mr. Ha, Mr. Ip and Talent Prime are regarded as a group of Controlling Shareholders acting in concert to exercise their voting rights in our Company and they together will be interested in a total of 69.75% of the issued share capital of our Company upon completion of Share Offer. Mr. Ha and Mr. Ip are directors of Talent Prime.
- 2. Ms. Chung is the spouse of Mr. Ha. Under the SFO, Ms. Chung is deemed, or taken to be, interested in the same number of Shares in which Mr. Ha is interested for the purpose of the SFO.
- 3. Ms. Lee is the spouse of Mr. Ip. Under the SFO, Ms. Lee is deemed, or taken to be, interested in the same number of Shares in which Mr. Ip is interested for the purpose of the SFO.
- 4. Mr. Lau beneficially owns the entire issued share capital of Infinite Honor. Therefore, Mr. Lau is deemed to be interested in all the Shares held by Infinite Honor for the purpose of the SFO. Mr. Lau is the sole director of Infinite Honor.
- 5. Ms. Zhao is the spouse of Mr. Lau. Under the SFO, Ms. Zhao is deemed, or taken to be, interested in the same number of Shares in which Mr. Lau is interested for the purpose of the SFO.
- 6. The date of filing of application proof and prior to completion of the Reorganisation.

All interests stated are long positions.

Save as disclosed herein, our Directors are not aware of any person (who are not Directors or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be granted under the Share Option Scheme and the Offer Size Adjustment Option), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 members other than our Company.

You should read this section in conjunction with our audited combined financial information including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. This historical combined financial information is not necessarily indicative of our future performance. Our combined financial information have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking information that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These information are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

Please also refer to the paragraph headed "Business — Overview" in this prospectus for details of our projects mentioned in this section.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

We are an established subcontractor engaged in civil engineering works and have extensive experience in providing repair and maintenance works for the structures of roads and highways in Hong Kong. During the Track Record Period, the civil engineering works provided by us mainly included (i) repair and maintenance works for roads and highways; and (ii) civil engineering construction works including the construction of sewerage, waterworks and barrier-free access facilities.

During the Track Record Period, we experienced a growth in revenue from approximately HK\$52.8 million for the year ended 31 March 2016 to HK\$73.6 million for the year ended 31 March 2017, and from HK\$73.6 million for year ended 31 March 2018 Our gross profit also increased from approximately HK\$15.2 million for the year ended 31 March 2016 to HK\$22.8 million for the year ended 31 March 2017, while our gross profit margins were 28.8% and 30.9% for the respective period. Our gross profit was HK\$22.8 million for year ended 31 March 2017 and HK\$25.8 million for the year ended 31 March 2018. Our gross profit margin decreased from 30.9% to 28.2% for the respective period. The decrease was mainly due to more works with lower gross profit margins involved for the year ended 31 March 2018.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 October 2017. In anticipation of the Listing, we underwent the Reorganisation, after which our Company became the holding company of the subsidiaries now comprising

us since 21 September 2018. The combined statements of profit and loss and other comprehensive income, combined statements of changes in equity and combined cash flow statements are prepared as if the current group structure has been in existence throughout the Track Record Period. The combined statements of financial position as at 31 March 2016, 2017 and 2018, present the assets and liabilities of the companies now comprising us, as if the current group structure has been in existence at those dates. The combined financial information has been prepared in accordance with the accounting policies in compliance with HKFRSs.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Reliance on public sector projects

During the Track Record Period, we derive our revenue solely from public sector projects, the demand of which relates to the conditions of roads and highways in Hong Kong, which may vary according to a combination of factors including the amount of Government spending, deterioration of roads that requires constant maintenance and demand for new roads and highways network etc.

The increase or decrease in the number of repair and maintenance works orders would therefore affect the demand for our services. There is no assurance that the number of public sector projects in relation to roads and highways in Hong Kong will not decrease in the future and any reduction in Government spending on repair and maintenance would adversely and materially affect our business in general and our results of operation.

Cost control and management

Subcontracting charges, staff costs (excluding those included in contra costs), cost of construction materials and supplies (excluding those included in contra costs) are the main components of our cost of sales. During the Track Record Period, these three components of costs in aggregate amounted to approximately HK\$30.9 million, HK\$38.7 million and HK\$52.0 million representing approximately 82.2%, 76.1% and 78.8% of our total cost of sales for the three years ended 31 March 2016, 2017 and 2018, respectively. In submitting our tenders for repair and maintenance projects, we prepare our schedule of rates for our main contractor or subcontractor customers for submission to Highways Department. For our civil engineering construction works projects, we prepare our tenders based on a cost-plus method with reference to the time and costs estimated to be involved in a project.

Most of our repair and maintenance contracts are term contracts which contain, among other things, schedule of rates that are based on the agreed unit rates and the estimated quantities of each item to be consumed in the project. We will be paid based on actual quantities of works done by us in the project, which normally will be measured by our customer upon submission of interim payment application.

As for civil engineering construction projects, the price of each contract is determined with reference to our bids and substantially agreed to at the time a project is awarded. In order to determine the bids, we need to estimate the time and costs involved in a project. However, we may fail to accurately estimate completion costs. The actual amount of total costs incurred in completing a project may be adversely affected by many factors, such as adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials. If the costs for a project exceed the contracted price in the relevant contract, we may achieve lower-than-expected profits or even incur losses, which could materially and adversely affect our financial performance and results of operations.

The following sensitivity analyses illustrate the impact of hypothetical fluctuations in subcontracting charges, staff costs (excluding those included in contra costs) and costs of construction materials and supplies (excluding those included in contra costs) on our profit before tax during the Track Record Period, assuming all other variables remained constant.

Hypothetical fluctuations

	+5% HK\$'000	+10% HK\$'000	-5% HK\$'000	-10% HK\$'000
(D.) (11114 000	11114 000	11114 000	11114 000
(Decrease)/increase in subcontracting charges				
Year ended 31 March 2016	1,225	2,450	(1,225)	(2,450)
Year ended 31 March 2017	1,573	3,146	(1,573)	(3,146)
Year ended 31 March 2018	1,359	2,718	(1,359)	(2,718)
Increase/(decrease) in profit				
after income tax				
Year ended 31 March 2016	(1,023)	(2,046)	1,023	2,046
Year ended 31 March 2017	(1,313)	(2,627)	1,313	2,627
Year ended 31 March 2018	(1,135)	(2,270)	1,135	2,270
Hypothetical fluctuations				
	+5%	+10%	-5%	-10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Decrease)/increase in staff costs (excluding those included in contra costs)				
Year ended 31 March 2016	245	489	(245)	(489)
Year ended 31 March 2017	288	577	(288)	(577)
Year ended 31 March 2018	647	1,294	(647)	(1,294)
Increase/(decrease) in profit after income tax				
Year ended 31 March 2016	(205)	(408)	205	408
Year ended 31 March 2017	(240)	(482)	240	482
Year ended 31 March 2018	(540)	(1,080)	540	1,080

Hypothetical fluctuations

	+5%	+10%	-5%	-10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Decrease)/increase in cost of				
construction materials and supplies (excluding those				
included in contra costs)	7.6	1.50	(7.6)	(150)
Year ended 31 March 2016	76	152	(76)	(152)
Year ended 31 March 2017	73	146	(73)	(146)
Year ended 31 March 2018	593	1,185	(593)	(1,185)
Increase/(decrease) in profit after income tax				
Year ended 31 March 2016	(63)	(127)	63	127
Year ended 31 March 2017	(61)	(122)	61	122
Year ended 31 March 2018	(495)	(990)	495	990

Performance and availability of subcontractors

We usually engage subcontractors to perform works in our projects on a contract by contract basis. During the Track Record Period, we subcontracted works that require specific licences and skills such as site formation, piling, road marking, replacement of expansion joints and installation of electric components to our subcontractors, we also subcontracted other works that do not require specific qualifications such as painting and cleansing to our subcontractors for the purpose of better allocation of our resources and alleviation of our tight labour supply. For the three years ended 31 March 2016, 2017 and 2018, our subcontracting charges amounted to approximately HK\$24.5 million, HK\$31.5 million and HK\$27.2 million, respectively, representing approximately 65.2%, 61.9% and 41.2% of our total cost of sales for the corresponding year, respectively.

Under the contracts entered into between us and our customers, we are generally liable to our customers for the performance and quality of work done by our subcontractors. In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our customers' internal control measures in relation to quality control, safety and environmental compliance. During project implementation, our project team together with our customers' project teams regularly meet with our subcontractors and closely monitor their work progress and performance as well as their compliance with our safety measures and quality standards. We maintain an internal list of approved subcontractors. We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background, technical capability, experience, fee quotations, service quality, track records, labour resources, timeliness of delivery, reputation and safety performance. However, there is no guarantee in the availability of subcontractors or the work performance of the chosen subcontractors. In the event that we are not able to secure suitable subcontractors at an acceptable fee or the works performed by our subcontractors are not up to standard, we may incur extra costs and hence our financial performance and reputation may be affected adversely.

Collectability and timing of collection of our trade receivables

Based on the activity carried out in the preceding month, we submit to our customers a payment application for progress payment or final payment which generally includes the estimated fee for our work done. Our customers in turn apply to the relevant Government departments based on our payment application. Once the Government department is satisfied with the payment application, an (interim) payment certificate/invoice will be issued to our customers. The final settlement is usually settled after the credit period, which is typically 30 days, and becomes overdue by the time we receive the settlement. Please refer to the paragraph headed "Discussion of certain combined statements of financial position items – Trade and other receivables – Trade receivables" in this section for further details.

As our payment application is subject to our customers' payment application to the relevant Government departments, any delay or reduction in the Government's budget and funding for civil engineering works projects may affect the timeliness of the settlement of our trade receivables. Further, if we fail to assess the credibility of customers which result in a delay in payment or release of retention monies from our customers, our cash position may be adversely affected as there are costs which have been made without cash inflow from other projects at a particular point of time.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our combined financial information in accordance with accounting policies which conform with HKFRSs, which require us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the combined financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies and estimates discussed below to be critical to an understanding of our combined financial information as their application places the most significant demands on our management's judgement. For details of our significant accounting policies and estimates, see Notes 4 and 5 in the Accountants' Report set out in Appendix I to this prospectus.

Accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Our policy for recognition of revenue from contracts is described in accounting policy for civil engineering construction works and repair and maintenance works in this section.

Civil engineering construction works and repair and maintenance works

Where the outcome of a contract, including repair and maintenance works and civil engineering construction works, can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that the surveys of works performed during the year, except where this would not be representative of the stage of completion. Variations in contract works, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

We generally discussed with our customers in order to estimate or agree on the amount of works performed in our projects before making payment applications. Our payment applications are then prepared based on amount of works performed and rates agreed with our customers.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contracts works. Amounts received before the related works are performed are included in the combined statement of financial position, as a liability, as advances received. Amounts billed for works performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these combined financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of our Group for like transactions and events in similar circumstances. Under the equity method, an interest in a joint venture is initially recognised in the combined statements of financial position at cost and adjusted thereafter to recognise our share of the profit or loss and other comprehensive income of the joint venture. When our share of losses of a joint venture exceeds our interest in that joint venture (which includes any long-term interests that, in substance, form part of our net investment in the joint venture), we discontinue recognising its share of further losses. Additional losses are recognised only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the joint venture.

An interest in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the interest in a joint venture, any excess of the cost of the investment over our share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of our share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to our investment in joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with our joint venture, profits and losses resulting from the transactions with the joint venture are recognised in our combined financial statements only to the extent of interests in the joint venture that are not related to us.

Accounting estimates

Estimated outcome of repair and maintenance works and civil engineering construction works

Revenue from repair and maintenance works and civil engineering construction works is recognised under the percentage of completion method which requires estimation made by our management on progress and outcome of the construction contract with reference to the payment certificates issued by the customers. Anticipated losses are fully provided on contracts when identified. Our management estimates the contract costs and foreseeable losses based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in contract businesses, our management reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses. Where the contract revenue is less than expected or actual contract costs are more than expected, the gross profit may need to be adjusted downward or additional losses may need to be recognised. As at 31 March 2016, 2017 and 2018, the carrying amounts of amounts due from customers for contract works are approximately HK\$5.1 million, HK\$2.1 million and HK\$3.6 million, respectively.

Estimated impairment of trade and retention receivables

Our management estimates the recoverability of trade and retention receivables at the end of each reporting period. When there is objective evidence of impairment loss, we take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of trade and retention receivables as at 31 March 2016, 2017 and 2018 are approximately HK\$12.8 million, HK\$26.5 million and HK\$43.9 million, respectively.

RESULTS OF OPERATIONS

The following table sets out our combined results for the three years ended 31 March 2016, 2017 and 2018, which are derived from, and should be read in conjunction with, the combined financial information set out in the Accountants' Report in Appendix I to this prospectus:

	Year	ended 31 Marcl	n
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Revenue	52,847	73,569	91,764
Cost of sales	(37,608)	(50,814)	(65,926)
Gross profit	15,239	22,755	25,838
Other income	380	552	489
Other gains and losses	537	(12)	189
Administrative expenses	(2,835)	(3,514)	(6,183)
Listing expenses	-	_	(8,681)
Share of results of a joint venture	-	_	(1,254)
Finance costs	(194)	(177)	(333)
Profit before taxation	13,127	19,604	10,065
Income tax expense	(2,128)	(3,149)	(3,211)
Profit and total comprehensive income for the			
year	10,999	16,455	6,854

DESCRIPTION OF SELECTED COMPONENTS OF OUR INCOME STATEMENT

Revenue

Our revenue was principally generated from the provision of civil engineering works. During the Track Record Period, we were involved in a total of ten repair and maintenance projects, of which five repair and maintenance projects were completed and five projects were still ongoing as at 31 March 2018. During the Track Record Period, we were involved in a total of two civil engineering construction projects, of which one project was completed and one was still ongoing as at 31 March 2018.

The following table sets out the list of projects in relation to repair and maintenance projects carried out by us, which includes the details of each project including but not limited to the revenue recognised, gross profit and the gross profit margin during the Track Record Period:

Repair and mai	Repair and maintenance projects (note 1)	s (note 1)													
								- Mayar	Accumulated						
			Project period	Responsible Government		Revenue fo	Revenue for the year ended	durin	during the Track		Gross	Gross profit and gross profit margin	it marein		
Project Code	Types of works	Project location	(note 2)	department	Customer	9	31 March	ž	Record Period		f	for the year ended 31 March	farch		
						2016	2017	2018		2016		2017		2018	
						(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$.000)	(HK\$'000)	15°	(HK\$'000)	₽°	(HK\$'000)	₽%.
Project A1	Sewerage works	Clear Water Bay Road, Pik Shui Sun 7 April 2014 to	7 April 2014 to	Drainage Services Department Customer A (note 4)	Customer A (note 4)	3,062	1	,	3,062	853	27.9	ı	,	1	,
		Tsuen and West of Sai Kung	31 October 2015												
:			;	,	;	;									
Project A2a	Management and maintenance Kowloon East		l August 2014 to	Highways Department	Customer C (note 5)	6,259	1	1	6,259	2,449	— ————————————————————————————————————	1	1		1
	of roads (regional works)		31 March 2016												
	(note 16)														
Project A3	Management and maintenance Hong Kong Island		1 April 2011 to	Highways Department	Customer A (note 4)	21,238	30,689	1	51,927	4,922	23.2	7,510	24.5	1	1
	of roads (structural works)		31 March 2017								(note 14)		(note 14)		
Project A5	Maintenance of slopes in	Hong Kong Island, Kowloon and	28 May 2016 to	Agriculture, Fisheries &	Customer B (note 6)	1	5,762	4,054	9,816		1	1,297	22.5	87.6	24.1
	country parks	New Territories	27 November 2017	Conservation Department											
Project A2b	Management and maintenance Kowloon East	Kowloon East	1 October 2015 to	Highways Department	Customer E (note 7)	3,301	2,343	1,507	7,151	735	22.3	748	31.7	447	29.7
	of roads (regional works)		31 March 2018								(note 12)		(note 12)		
	(note 16)														
Project A4	Road reinstatement and	New Territories East	14 January 2017 to	Water Supplies Department	Customer I (note 8)	1	199	18,963	19,630		1	231	34.6	6,497	34.3
	painting		31 August 2018 (note 15)												
Project A6	Management and maintenance	Kowloon West	1 November 2015 to 30 June	· Highways Department	Customer D (note 9)	5,610	18,081	18,197	41,888	8161	34.2	8,631	47.7	6,448	35.4
	of roads (structural works)		2020								(note 13)		(note 13)		
Project A7b	Management and maintenance	Hong Kong Island	8 June 2017 to 31 March	Highways Department	Customer K	ı	ı	4,124	4,124	1	ı	ı	ı	1,132	27.4
	of roads (regional works)		2023												
	(note 17)														
Project A9	Upgrading works for slopes	Tsuen Wan Cemetery	18 May 2017 to 31 May	a non-governmental	Customer H (note 10)	ı	1	16,426	16,426	1	1	ı	ı	4,748	28.9
	and retaining walls		2019	organisation responsible for											
				management and											
				maintenance of cemeteries											
Project A7a	Management and maintenance Hong Kong Island		1 April 2017 to 31 March	Highways Department	Customer G (note 11)			11,388	11,388		ı	ı	ı	3,355	29.5
	of roads (structural works)		2023												
Others (note 3)					Others	1,905	232	242	2,682	829	43.5	ᆶ	36.2	162	29.5
Subtotal						41.375	57.774	75.204	174.353	11.706	83	18.496	320	23.767	916
					l				and it	20.65		P. C.			

Notes:

- (1) As our repair and maintenance project works are assigned to us by works orders received from the relevant Government departments or other public bodies from time to time, the contracts of the relevant projects normally include a schedule of rates for each type of works only and do not specify the total contract sum. The revenue generated in each financial year depends on the actual works orders received and therefore there is no estimation on the outstanding contract sum or percentage of completion for our repair and maintenance projects.
- (2) The period covers the duration of our works with reference to the commencement dates and, for projects completed, the completion dates of works set out in the payment certificates issued by our customers, or with reference to the practical completion certificate or final payment certificate issued by the customers. For ongoing projects, the expected completion dates of works are determined with reference to the contracts which set out the duration of works from its commencement. Such period does not include defects liability period.
- (3) Others refer to 7 projects, each of which contributed less than HK\$814,000 of our revenue during the Track Record Period.
- (4) For both the two years ended 31 March 2017, Customer A ranked first in terms of revenue contributed.
- (5) For the year ended 31 March 2016, Customer C ranked third in terms of revenue contributed.
- (6) For the two years ended 31 March 2017, Customer B ranked second and third in terms of revenue contributed, respectively.
- (7) For both the two years ended 31 March 2017, Customer E ranked fifth in terms of revenue contributed.
- (8) For the year ended 31 March 2018, Customer I ranked first in term of revenue contributed.
- (9) For the three years ended 31 March 2018, Customer D ranked fourth, second and second in terms of revenue contributed, respectively.
- (10) For the year ended 31 March 2018, customer H ranked third in terms of revenue contributed.
- (11) For the year ended 31 March 2018, Customer G ranked fifth in terms of revenue contributed.
- (12) The gross profit margin of Project A2 for the year ended 31 March 2017 was 31.7% increasing from 22.3% for the year ended 31 March 2016. Such increase in gross profit margin was due to the reduction in unit price of our subcontractors in the year ended 31 March 2017.
- (13) The gross profit margin of Project A6 for the year ended 31 March 2017 was 47.7% increasing from 34.2% for the year ended 31 March 2016. Such increase was mainly due to the increased number of works orders received during the year ended 31 March 2017. There was also an increase in number of works orders with higher gross profit margin during the year ended 31 March 2017 such as painting and roof cladding works.
- (14) The gross profit margin of Project A3 for the two years ended 31 March 2016 and 2017 was lower than other projects mainly due to (i) the works order mix; (ii) a more competitive pricing strategy in bidding during the initial stage of set up of the Group; (iii) a large proportion of works being subcontracted; and (iv) the increasing labour costs as compared to a fixed schedule of rate over the whole term of the contract.
- (15) Rectification works are still on going and the Directors expect that the works will complete by the end of September 2018.
- (16) The regional works of this project covered Kowloon Bay.

(17) The regional works of this project covered the whole Hong Kong Island.

The following table sets out the list of projects in relation to civil engineering construction projects carried out by us, which includes the details of each project including but not limited to the revenue recognised, gross profit and the gross profit margin during the Track Record Period, and outstanding contract sum by reference to the estimated contract sum as stipulated in the contract and the revenue recognised up to the year ended 31 March 2018:

		Outstanding	contract sum	as at 31	March 2018	(note 2)		(HK\$'000)	1			29,152			29,152	29,152
								88	N/A	(Note 6)		21.1		•	12.5	28.2
					_		2018	(HK\$'000)	(1,187)			3,258			2,071	25,838
					oss profit margin	31 March		8%	30.8			21.1		ı	27.0	30.9
					Gross profit/loss) and gross profit margin	for the year ended 31 March	2017	(HK\$'000)	2,942			1,317			4,259	22,755
					Gross pr	oj		88	30.8			1		ı	30.8	28.8
							2016	(HK\$.000)	3,553			1			3,533	15,239
	Accumulated	revenue	recognised	during the	Track Record	Period		(HK\$'000)	22,134	(note 5)		21,693			43,827	218,180
							2018	(HK\$'000)	1,108			15,452			16,560	91,764
					Revenue for the year ended	31 March	2017	(HK\$'000)	9,554			6,241			15,795	73,569
					Revenue		2016	(HK\$'000)	11,472			ı			11,472	52,847
					Contract Sum	(note 2)		(HK\$'000)	31,348			50,845		,		•
						Customer			Customer B (note 3)			Customer F (note 4)				
				Responsible	Government	department			Highways Department			CEDD				
					Project period	(note 1)			12 May 2015 to	9 November 2017		8 August 2016 to	29 January 2020			
Civil engineering construction projects						Project location			Tin Shui Wai			Hung Hom, Tai Po	Road, Choi Wan,	Fung Tak		
ering constr						Types of works			Construction of Tin Shui Wai	lift and staircase	to footbridge	Construction of	lift and ramp to	footbridge		
Civil engine						Project Code			Project B2			Project B3			Subtotal	Total

Note:

- (1) The period covers the duration of our works with reference to the commencement dates and, for projects completed, the completion dates of works set out in the payment certificates issued by our customers, or with reference to the practical completion certificate or final payment certificate issued by the customers. For ongoing projects, the expected completion dates of works are determined with reference to the contracts which set out the duration of works from its commencement. Such period does not include defects liability period.
- (2) The contract sum is based on the contract(s) between our customer and us but does not include additions and modifications due to subsequent price adjustment or variation orders such that the final revenue recognised from a contract may differ from the contract sum.
- (3) For the two years ended 31 March 2017, Customer B ranked second and third in terms of revenue contributed, respectively.
- (4) For both the two years ended 31 March 2018, Customer F ranked fourth in terms of revenue contributed.
- (5) The contract sum reduction for the amount of approximately HK\$9.2 million was primarily due to modifications and variation of works such as cancellation of preliminary works, (for instance, erection of metallic site hoarding), reduction in required quantity as compared to the estimated quantity in the contract and adjustment for price fluctuation.
- (6) After the contract sum reduction, revenue recognised for Project B2 for two years ended 31 March 2017 exceeded the adjusted total contract sum, resulting in a negative revenue and a negative gross profit for the year ended 31 March 2018.

The following table sets out our revenue for our operating sector projects during the Track Record Period:

			Year ended 3	1 March		
	2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Repair and maintenance project	41,375	78.3	57,774	78.5	75,204	82.0
– Structural works	26,848	50.8	48,770	66.3	29,585	32.3
– Regional works	9,560	18.1	2,343	3.2	5,631	6.1
- Others (note 1)	4,967	9.4	6,661	9.0	39,988	43.6
Civil engineering construction project	11,472	21.7	15,795	21.5	16,560	18.0
Total	52,847	100.0	73,569	100.0	91,764	100.0

Note:

(1) Others refer to repair and maintenance projects awarded by Government departments other than Highways Department.

During the Track Record Period, the majority of our revenue was derived from repair and maintenance projects.

Cost of sales

Our cost of sales consist primarily of subcontracting charges, staff costs (excluding those included in contra costs), construction materials and supplies (excluding those included in contra costs), and equipment and machinery rental. The following table sets out a breakdown of our cost of sales during the Track Record Period:

	Year ended 31 March						
	2016		2017		2018		
	HK\$'000	%	HK\$'000	%	HK\$'000	%	
Subcontracting charges	24,499	65.2	31,460	61.9	27,184	41.2	
Staff costs (excluding those included in contra costs)	4,891	13.0	5,769	11.4	12,940	19.6	
Construction materials and supplies (excluding those							
included in contra costs)	1,518	4.0	1,460	2.8	11,855	18.0	
Contra costs (note 1)	6,124	16.3	10,956	21.6	12,615	19.1	
Others (note 2)	576	1.5	1,169	2.3	1,332	2.1	
Total	37,608	100.0	50,814	100.0	65,926	100.0	

Note:

- (1) During the Track Record Period, we had contra charge arrangement our customers on subcontracting fees, purchase costs and miscellaneous expenses. For further details, please refer to the section headed "Business Customers Contra charge arrangement with our customers".
- (2) Others include cost of tools, petrol, testing, Government levies and utilities.

Subcontracting charges

Subcontracting charges represent charges and fees paid to our subcontractors which mainly provide labour and services necessary for the completion of the civil engineering works undertaken by us. For the years ended 31 March 2016, 2017 and 2018, subcontracting charges amounted to approximately HK\$24.5 million, HK\$31.5 million and HK\$27.2 million, representing approximately 65.2%, 61.9% and 41.2% of our total cost of sales, respectively. As our manpower capacity expands, it enables us to undertake a higher proportion of contract works by ourselves rather than employing subcontractors to carry out the contract works. It is for such reason that the percentage of subcontracting charges compared to our total cost of sales recorded a year-on-year decrease while the percentages of staff costs (excluding those included in contra costs) and construction materials and supplies (excluding those included in contra costs) increased continuously during the Track Record Period.

Staff costs (excluding those included in contra costs)

Staff costs (excluding those included in contra costs) represent the labour costs for the provision of our construction project works. For the years ended 31 March 2016, 2017 and 2018, staff costs amounted to approximately HK\$4.9 million, HK\$5.8 million and HK\$12.9 million, representing approximately 13.0%, 11.4% and 19.6% of our total cost of sales, respectively.

Construction materials and supplies (excluding those included in contra costs)

Construction materials and supplies (excluding those included in contra costs) mainly represent the expenses for the purchase of concrete, steel reinforcement bars, structural steel and diesel fuel and these costs are directly charged to our construction project works. For the years ended 31 March 2016, 2017 and 2018, construction materials and supplies expenses amounted to approximately HK\$1.5 million, HK\$1.5 million and HK\$11.9 million, representing approximately 4.0%, 2.8% and 18.0% of our total cost of sales, respectively.

Other cost of sales expenses

Other cost of sales expenses include less significant and/or miscellaneous direct costs for carrying out the civil engineering works undertaken by us, which mainly include cost of tools, petrol, testing, Government levies and utilities. For the years ended 31 March 2016, 2017 and 2018, other cost of sales expenses amounted to approximately HK\$0.6 million, HK\$1.2 million and HK\$1.3 million, representing approximately 1.5%, 2.3% and 2.1% of our total cost of sales, respectively.

Gross profit margin

The following table sets out our gross profit and gross profit margins for our projects during the Track Record Period:

	Year ended 31 March						
	2016		2017		2018		
	Gross profit HK'000	Gross profit margin %	Gross profit HK'000	Gross profit margin %	Gross profit HK'000	Gross profit margin %	
Repair and maintenance project	11,706	28.3	18,496	32.0	23,767	31.6	
- Structural works	6,840	25.5	16,141	33.1	9,803	33.1	
– Regional works	3,184	33.3	743	31.7	1,579	28.0	
- Others	1,682	33.9	1,612	24.2	12,385	31.0	
Civil engineering construction project	3,533	30.8	4,259	27.0	2,071	12.5	
						(note 1)	
Total	15,239	28.8	22,755	30.9	25,838	28.2	

Note:

⁽¹⁾ After the contract sum reduction, revenue recognised for Project B2 for two years ended 31 March 2017 exceeded the adjusted total contract sum, resulting in a negative revenue and a negative gross profit for the year ended 31 March 2018.

During the Track Record Period, our gross profit margin varied from project to project and was mainly attributable to our pricing. The price of our contracts was determined based on schedule of rates for repair and maintenance projects, and a cost-plus pricing model for civil engineering construction projects in general with a mark-up varied from project to project. The mark-up is determined based on the following factors:

Cost control

While we may obtain preliminary quotations from our subcontractors when preparing our tender prices, the prices agreed with our subcontractors are subject to further negotiations after we are successfully awarded with a tender and after we obtain more specific information regarding the works and the site conditions. Such further negotiations with our subcontractors may result in higher or lower gross profit margins.

Works order mix

This factor is specific to our repair and maintenance projects. As most of our repair and maintenance contracts are term contracts with varying number of works orders received, we are paid based on actual quantities of works orders we completed in the project and our yearly performance is dependent on the works orders received in that year. Generally, at the early stage of a repair and maintenance contract, we tend to receive more works orders with lower profit margin, such as routine inspection, as the repair and maintenance of the particular project location is still under the defects liability period and/or the warranty period of the previous contract. We are generally unable to predict the timing of issuance of and the job nature of specific works orders. As the gross profit margin for different works orders vary from one to another, the gross profit margin for a given project may fluctuate subject to a number of factors affecting the issuance pattern and job nature of works orders such as weather, stage of the term contract, budget and policy of the relevant Government departments.

Size of the civil engineering construction project

This factor is specific to our civil engineering construction projects. We normally set a lower tender price, and therefore a lower profit margin, for projects with a larger contract value and an anticipated high level of competition at the time of bidding. With a higher contract value, we expect to derive a larger absolute amounts of revenue and gross profit (being the contract sum less the expected cost of sales) from the project and therefore resulting in a lower gross profit margin.

Nature and complexity of civil engineering works

When preparing our schedule of rates and tender price, we consider, among other factors, (i) the amount of project management; (ii) the level of difficulty; (iii) the uncertainties in a project; (iv) the estimated number of works orders (for repair and maintenance projects only); (v) the types and amount of works to be performed using different techniques; (vi) the types and amount of resources such as labour skills, construction materials and supplies and construction equipment; and (vii) the quality, safety and environmental standards. We would also take into account the likelihood of any material deviation of actual costs from our estimated costs having regard to the estimated subcontracting charges, staff costs, construction materials and supplies costs, rental of construction equipment costs and other cost of sales. For

further details on the impact of hypothetical fluctuations on our major components in cost of sales, please refer to the paragraph headed "Financial Information – Significant factors affecting our results of operations and financial condition – cost control and management" in this section.

Other income

For the three years ended 31 March 2018, we recorded other income of approximately HK\$380,000, HK\$552,000 and HK\$489,000 respectively which were principally imputed interest income on amounts due from a related party and our Directors. During the Track Record Period, we made advances to Ms. Wang Shen, mother of Mr. Ha, and our Directors, at lower-than-market interest rates, the difference between the fair values of the lower-than-market advances to each of them and the nominal amounts of the advances at initial recognition are recognised as deemed distribution. The effective interest method is a method of calculating the amortised cost of the debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instruments, or, where appropriate, a shorter period, to the net carrying amount on initial recognition, imputed interest income is therefore recognised on an effective interest basis.

Administrative expenses

Our administrative expenses consist primarily of auditors' remunerations, depreciation, directors' emoluments, entertainments, legal and professional fee, motor vehicles expenses, and staff costs. The following table sets out our administrative expenses by nature during the Track Record Period:

	Year ended 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Auditor's remunerations	46	59	300	
Depreciation	975	884	852	
Directors' emoluments	360	360	868	
Entertainment	95	134	484	
Legal and professional fee	89	444	385	
Motor vehicles expenses	570	681	729	
Office supplies	109	115	130	
Rent and rates	_	-	224	
Staff costs	284	473	1,352	
Others	307	364	859	
Total	2,835	3,514	6,183	

Share of results of a joint venture

For the year ended 31 March 2018, we incurred a loss at approximately HK\$1.3 million as a share of loss of a joint venture. The loss of the joint venture is mainly due to the share of post-acquisition losses that are in excess of the cost of the investment. For details of the interest in a joint venture, see Note 16 in the Accountants' Report set out in Appendix I to this prospectus.

Finance costs

Our finance costs mainly consist of interest on bank borrowings and interest on obligations under finance leases. The following table set out a breakdown of our finance costs during the Track Record Period:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	93	157	296
Interest on obligations under finance leases	101	20	37
Total	194	177	333

Income tax

Income tax expenses primarily consist of deferred tax and provision for current income tax expenses incurred in Hong Kong. During the Track Record Period, all of our revenue was derived in Hong Kong and we were subject to profits tax in Hong Kong. During the years ended 31 March 2016, 2017 and 2018, our effective tax rate was approximately 16.2%, 16.1% and 31.9%, respectively. The effective tax rate for the year ended 31 March 2018 was higher because of the non-deductible Listing expenses for tax purpose.

During the years ended 31 March 2016, 2017 and 2018, the Group paid income tax of HK\$53,000, HK\$53,000 and HK\$2,951,000, respectively. The amounts paid were in respect of the taxes assessed for the years of assessment 2014/2015 and 2015/2016, respectively. For the tax payables as at the year ended 31 March 2016 of HK\$2.4 million, year ended 31 March 2017 of HK\$5.5 million and year ended 31 March 2018 of HK\$4.5 million, these payables were for the estimated tax liabilities of the Group less the provisional tax already paid for the years of assessment 2016/2017, 2017/2018 and 2018/2019, respectively.

Our Company and its subsidiaries are incorporated in different jurisdictions, with different taxation requirements illustrated below:

The Cayman Islands and the BVI

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and the BVI, we are not subject to any profits tax in the Cayman Islands and the BVI.

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period. In addition, two subsidiaries of the Company operating in Hong Kong enjoyed tax concessions for years of assessment 2015/16, 2016/17 and 2017/18 under which the Hong Kong Profits Tax were reduced by 75%, subject to a ceiling of HK\$20,000, HK\$20,000 and HK\$30,000, respectively, per case in each of the years.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2018 compared with year ended 31 March 2017

Revenue

Our revenue increased by approximately HK\$18.2 million, or 24.7%, from approximately HK\$73.6 million for the year ended 31 March 2017 to HK\$91.8 million for the year ended 31 March 2018. Such increase is mainly attributable to the commencement of three repair and maintenance projects with an aggregate revenue recognised of approximately HK\$31.9 million during the year ended 31 March 2018.

Cost of sales

Our cost of sales increased by approximately HK\$15.1 million, or 29.7%, from approximately HK\$50.8 million for the year ended 31 March 2017 to HK\$65.9 million for the year ended 31 March 2018, which is in line with our increase in revenue as a result of the commencement of the three new projects. During the year ended 31 March 2018, the subcontracting charges decreased by approximately HK\$4.3 million, whilst the staff costs (excluding those included in contra costs) and construction materials and supplies (excluding those included in contra costs) increased by approximately HK\$7.2 million and HK\$10.4 million for the year ended 31 March 2018 as compared with the subcontracting charges, the staff costs (excluding those included in contra costs) and construction materials and supplies (excluding those included in contra costs) for the year ended 31 March 2017. Due to the commencement of the three new projects, we have hired more labour and engaged more in the projects by ourselves to cope with the increased workload.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$3.0 million, or 13.2% from approximately HK\$22.8 million for the year ended 31 March 2017 to approximately HK\$25.8 million for the year ended 31 March 2018 due to increase in revenue. Gross profit margin was 30.9% for the year ended 31 March 2017 and 28.2% for the year ended 31 March 2018, which was maintained relatively stable.

Our gross profit margin for repair and maintenance projects remained relatively stable for the year ended 31 March 2017 and 2018. For our civil engineering construction projects, gross profit margin was 27.0% for the year ended 31 March 2017 and reduced to 12.5% for the year ended 31 March 2018. The reduction was mainly attributable to (i) the commencement of Project B3, which has a lower gross profit margin, in the second half of 2017. Project B3 is related to the construction of lift and ramp to footbridge in Hung Hom, Tai Po Road, Choi Wan and Fung Tak, with an initial contract sum of over HK\$50 million. Due to the size and complexity of the project and also the anticipated competition from other competitors as

foreseen by the Directors at the time of bidding for Project B3, we submitted the tender with a lower gross profit margin in order to secure the contract; and (ii) the negative gross profit of Project B2. There was a substantial reduction in contract sum due to the cancellation of certain preliminary works, reduction in required quantity and price fluctuation. After the contract sum reduction, revenue recognised for the two years ended 31 March 2017 exceeded the adjusted total contract sum, resulting in a negative revenue and a negative gross profit for the year ended 31 March 2018.

Other gains and losses

Our other gains and losses increased by approximately HK\$0.2 million, from a loss of approximately HK\$12,000 for the year ended 31 March 2017 to a gain of approximately HK\$189,000 for the year ended 31 March 2018. Other gains and losses increased mainly due to the disposal of motor vehicles to Independent Third Parties and our customers.

Administrative expenses

Our administrative expenses increased by approximately HK\$2.7 million, or 76.0% from approximately HK\$3.5 million for the year ended 31 March 2017 to approximately HK\$6.2 million for the year ended 31 March 2018. Such increase was mainly attributable to the increase in staff costs. During the Track Record Period, there has been occasions where our staff was seconded to our customers for project implementation. After completion of the project, such staff would return to our office. Therefore, the staff costs during the year ended 31 March 2018 increased as compared with the same period in 2017.

Finance costs

Our finance costs increased by approximately HK\$156,000, from approximately HK\$177,000 for the year ended 31 March 2017 to approximately HK\$333,000 for the year ended 31 March 2018. The increase is mainly attributable to the increase in interest on bank borrowings.

Income tax expense

During each of the year ended 31 March 2017 and 2018, our effective tax rate was approximately 16.1% and 31.9%, respectively. Our effective tax rate for the year ended 31 March 2018 was higher than the statutory tax rate of 16.5% because Listing expenses were non-deductible for tax purpose.

Profit for the year and net profit margin

As a result of the above, our profit for the year decreased by approximately HK\$9.6 million, or 58.3%, from approximately HK\$16.5 million for the year ended 31 March 2017 to approximately HK\$6.9 million for the year ended 31 March 2018. Our net profit margin decreased from 22.4% for the year ended 31 March 2017 to 7.5% for the year ended 31 March 2018. The decrease in net profit margin was mainly attributable to the significant decrease in net profit, which was in turn primarily due to the Listing expenses of approximately HK\$8.7 million recognised for the year ended 31 March 2018. Excluding the Listing expenses, our net profit would be HK\$18.7 million, and our net profit margin would be 20.4% which remained stable as compared to our net profit margin for the year ended 31 March 2017.

Year ended 31 March 2017 compared with year ended 31 March 2016

Revenue

Our revenue increased by approximately HK\$20.8 million, or 39.2%, from approximately HK\$52.8 million for the year ended 31 March 2016 to HK\$73.6 million for the year ended 31 March 2017. The increase was mainly attributable to the commencement of one repair and maintenance project for structural works in November 2015 and one civil engineering construction project in August 2016, which generated revenue during the year ended 31 March 2017.

Cost of sales

Our cost of sales increased by approximately HK\$13.2 million, or 35.1%, from approximately HK\$37.6 million for the year ended 31 March 2016 to HK\$50.8 million for the year ended 31 March 2017. While cost of sales increased in line with our revenue as a result of the increase in repair and maintenance works orders, subcontracting charges increased by approximately 28.4% since specialist subcontractors were engaged for technical works at the beginning stage of the civil engineering construction project. Staff costs also increased by approximately 18.0% for the year ended 31 March 2017 as compared with the year ended 31 March 2016, since more direct labour was employed for the new repair and maintenance project which mainly involved cleansing work.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$7.6 million, or 49.3%, from approximately HK\$15.2 million for the year ended 31 March 2016 to approximately HK\$22.8 million for the year ended 31 March 2017 due to the increase in revenue. Gross profit margin was 28.8% and 30.9% for the year ended 31 March 2016 and 2017, respectively, which was maintained relatively stable.

Other gains and losses

Our other gains and losses decreased by approximately HK\$0.5 million, from a gain of approximately HK\$0.5 million for the year ended 31 March 2016 to a loss of approximately HK\$12,000 for the year ended 31 March 2017.

Administrative expenses

Our administrative expenses increased by approximately HK\$0.7 million, or 24.0%, from approximately HK\$2.8 million for the year ended 31 March 2016 to approximately HK\$3.5 million for the year ended 31 March 2017. Our staff costs increased by approximately HK\$0.2 million, or 66.5%, from approximately HK\$0.3 million for the year ended 31 March 2016 to approximately HK\$0.5 million for the year ended 31 March 2017. Such increase was mainly attributable to the increase in staff costs. During the Track Record Period, there has been occasions where our staff was seconded to our customers for project implementation. After completion of the project, such staff would return to our office. Therefore, the staff costs for the year ended 31 March 2017 was increased compared to the same period in 2016.

Finance costs

Our finance costs decreased by approximately HK\$17,000, or 8.8%, from approximately HK\$194,000 for the year ended 31 March 2016 to approximately HK\$177,000 for the year ended 31 March 2017. The decrease also mainly attributable to a decrease in obligation under finance lease for motor vehicles, although there was an increase in interest on bank borrowings.

Income tax expense

During the year ended 31 March 2016 and 2017, our effective tax rate was approximately 16.2% and 16.1%, respectively, which was maintained relatively stable.

Profit for the year and net profit margin

As a result of the above, our profit for the year increased by approximately HK\$5.5 million, or 50.0%, from approximately HK\$11.0 million for the year ended 31 March 2016 to approximately HK\$16.5 million for the year ended 31 March 2017. Our net profit margin was 20.8% and 22.4% for the year ended 31 March 2016 and 2017, respectively, which was maintained relatively stable.

RETAINED PROFITS

We recorded retained profits throughout the Track Record Period in our combined statements of changes in equity:

	As at			
	1 April	31 March	31 March	31 March
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retained profits	1,048	12,051	28,509	21,363

As at 1 April 2015, 31 March 2016, 2017 and 2018, we recorded retained profits of approximately HK\$1.0 million, HK\$12.1 million, HK\$28.5 million and HK\$21.4 million, respectively. The relatively low retained profits of approximately HK\$1.0 million as at 1 April 2015 was mainly due to the combined effects of (i) prior to the year ended 31 March 2015, our scale of business was substantially smaller than the current level; and (ii) we engaged more subcontractors and employed limited number of staff only during the early years of operation. Immediately prior to the Track Record Period, we had completed only one repair and maintenance project and one civil engineering construction project.

We then experienced expansion and growth during the Track Record Period. We started to take up more public projects with higher contract sum during the year ended 31 March 2015 and throughout the Track Record Period. In order to take up more sizeable projects, our direct workers increased from 11 workers as at 31 March 2011 to 57 workers as at 31 March 2017. As such, our retained profits increased throughout the Track Record Period due to our profitable operations. For further details regarding our profitable operations, please refer to the paragraph headed "Period to period comparison of results of operations" in this section.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We have historically met our liquidity requirements principally through a combination of cash flow from operations and bank borrowings. Our uses of cash are mainly for the financing of our operations and working capital requirements and capital expenditures on property, plant and equipment. Going forward, we do not expect any material changes to the underlying drivers of our sources of cash and uses of cash, except for the net proceeds from the Share Offer which will be used according to our use of proceeds plan as detailed in the section headed "Future Plans and Use of Proceeds" in this prospectus. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

Cash flows

The following table sets forth our cash flows for the years indicated:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Operating cash flows before movements in			
working capital changes	13,450	20,126	11,893
Net cash from operating activities	7,513	3,133	374
Net cash used in investing activities	(2,440)	(3,586)	(8,716)
Net cash (used in) from financing activities	(3,039)	(701)	7,890
Net increase (decrease) in cash and cash			
equivalents	2,034	(1,154)	(452)
Cash and cash equivalents at the beginning of			
the year	414	2,448	1,294
Cash and cash equivalents at the end of the year	2,448	1,294	842

Cash flows from operating activities

Cash flows from operating activities primarily consisted of our revenues from civil engineering projects undertaken by us. We mainly derive our cash inflow from operating activities from the receipt of payments from customers and our primary cash outflow from operations includes payrolls, payment to subcontractors and suppliers.

Our cash from operating activities reflects profit before tax for the year, mainly adjusted for depreciation of plant and equipment, gain on deregistration of a subsidiary, (gain) loss on disposal/written-off of plant and equipment, imputed interest income on accounts due from a related party and directors, interest expenses and bank interest income.

During the year ended 31 March 2016, our cash from operations consisted of operating cash flows of approximately HK\$13.5 million and before negative working capital changes. Negative working capital changes primarily included (i) an increase in trade and other receivables of approximately HK\$4.4 million; (ii) an increase in amounts due from customers for contract works of approximately HK\$5.6 million, all of which were driven by progress billings and the settlement thereof. The negative changes were offset by (i) an increase in amount due to a joint venture of approximately HK\$2.1 million and (ii) an increase in trade and other payables of approximately HK\$1.8 million.

During the year ended 31 March 2017, our cash from operations consisted of operating cash flows of approximately HK\$20.1 million before negative working capital changes. Negative working capital changes primarily included (i) an increase in trade and other receivables of approximately HK\$13.8 million in line with the increase in revenue of approximately HK\$20.7 million due to an increase in construction activities undertaken by us; (ii) a decrease in amount due to a joint venture of approximately HK\$5.8 million. The negative changes were offset by (i) a decrease in amounts due from customers for contract works of approximately HK\$3.0 million, all of which were driven by progress billings and the settlement thereof; and (ii) an increase in trade and other payables of approximately HK\$0.7 million in line with the increase in cost of sales of approximately HK\$13.2 million due to an increase in civil engineering projects undertaken by us.

During the year ended 31 March 2018, our cash from operations consisted of operating cash flows of approximately HK\$11.9 million before positive working capital changes. Positive working capital changes primarily due to an increase in trade and other payables of approximately HK\$11.5 million, which were offset by (i) an increase in trade and other receivables of approximately HK\$19.5 million; and (ii) an increase in amount due from a joint venture.

Cash flows used in investing activities

Cash inflows from investing activities were primarily from the proceeds from disposal of plant and equipment and repayment from directors. Cash outflows from investing activities were primarily utilised to advance to directors, purchase plant and equipment and advance to a related party.

During the year ended 31 March 2016, we recorded net cash used in investing activities amounting to approximately HK\$2.4 million, which was mainly due to (i) advance to directors of approximately HK\$2.1 million; (ii) purchase of plant and equipment of approximately HK\$1.0 million; and (iii) advance to a related party of approximately HK\$0.5 million. It was partly offset by the proceeds generated from the disposal of motor vehicles to Independent Third Parties of approximately HK\$1.1 million.

During the year ended 31 March 2017, we recorded net cash used in investing activities amounting to approximately HK\$3.6 million, which was mainly due to (i) advance to directors of approximately HK\$4.0 million; (ii) purchase of plant and equipment of approximately HK\$0.8 million; and (iii) advance to a related party of approximately HK\$1.0 million. It was partly offset by repayment from directors of approximately HK\$1.7 million.

During the year ended 31 March 2018, we recorded net cash used in investing activities amounting to approximately HK\$8.7 million, which was mainly derived from (i) advance to directors of approximately HK\$4.4 million; and (ii) advance to a joint venture of approximately HK\$4.9 million.

Cash flows (used in) from financing activities

Cash inflows from financing activities were primarily from (i) drawdown of bank borrowings (ii) proceeds from allotment of shares; and (iii) capital contribution from a third party. Cash outflows for financing activities were primarily from (i) repayment of bank borrowings and obligation under finance leases; (ii) repayment to Directors; and (iii) the payment of interests accrued thereon; and (iii) issue cost paid.

During the year ended 31 March 2016, we recorded net cash used in financing activities amounting to approximately HK\$3.0 million. Cash inflows from financing activities was due to the drawdown of bank borrowings of approximately HK\$2.0 million. Cash outflows for financing activities primarily included (i) repayment to Directors of approximately HK\$2.6 million (ii) repayment of bank borrowings of approximately HK\$1.5 million; and (iii) repayment of obligation under finance leases of approximately HK\$0.7 million.

During the year ended 31 March 2017, we recorded net cash used in financing activities amounting to approximately HK\$0.7 million. Cash inflows from financing activities was due to the drawdown of bank borrowings of approximately HK\$1.4 million. Cash outflows for financing activities primarily included (i) repayment of bank borrowings of approximately HK\$1.8 million; and (ii) repayment of obligation under finance leases of approximately HK\$0.2 million.

During the year ended 31 March 2018, we recorded net cash from financing activities amounting to approximately HK\$7.9 million. Cash inflows from financing activities was due to (i) the drawdown of bank borrowings of approximately HK\$4.5 million; and (ii) proceeds from allotment of shares of approximately HK\$10.5 million. Cash outflows for financing activities primarily included (i) repayment of bank borrowings of approximately HK\$2.7 million; and (ii) issued costs paid of approximately HK\$2.6 million, being part of our Listing expenses paid and not capitalised. For details of the capital contribution, i.e. the pre-IPO investment of HK\$10.5 million, please refer to the section headed "History, Development and Reorganisation" in this prospectus.

Current assets and liabilities

The following table sets forth details of our current assets and liabilities as at the respective dates indicated:

	A a	ot 21 Monah		As at
	As 2016	at 31 March 2017	2018	31 July 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets				
Amounts due from customers for				
contract works	5,070	2,120	3,612	3,827
Trade and other receivables	14,149	27,991	50,068	50,635
Amounts due from directors	2,867	5,148	1,886	1,563
Amounts due from related parties	623	3,086	_	_
Amount due from a joint venture	_	794	3,628	730
Amount due from a non-controlling				
interest	3	3	_	_
Bank balances and cash	2,448	1,294	842	1,435
	25,160	40,436	60,036	58,190
	25,100	40,430	00,030	36,190
Current liabilities				
Trade and other payables	4,411	5,106	16,624	12,834
Amount due to a related party	114	_	64	64
Amount due to a joint venture	5,835	_	_	_
Bank borrowings	1,333	956	2,743	1,597
Tax payable	2,366	5,471	4,502	3,629
Obligations under finance leases	154	103	227	483
	14,213	11,636	24,160	18,607
		11,030	2 r,100	10,007
Net current assets	10,947	28,800	35,876	39,583

As at 31 July 2018, we recognised net current assets of approximately HK\$39.6 million. The key components of our current assets as at 31 July 2018 included (i) trade and other receivables of approximately HK\$50.6 million; (ii) amounts due from customers for contract works of approximately HK\$3.8 million; (iii) bank balances and cash of approximately HK\$1.4 million; (iv) amounts due from directors of approximately HK\$1.6 million; and amount due from a joint venture of approximately HK\$0.7 million. The key components of our current liabilities as at 31 July 2018 included (i) trade and other payables of approximately HK\$12.8 million; (ii) bank borrowings of approximately HK\$1.6 million; and (iii) tax payable of approximately HK\$3.6 million.

As at 31 March 2018, we recognised net current assets of approximately HK\$35.9 million. The key components of our current assets as at 31 March 2018 included (i) trade and other receivables of approximately HK\$50.1 million; (ii) amounts due from customers for contract works of approximately HK\$3.6 million; (iii) bank balances and cash of approximately HK\$0.8 million; (iv) amounts due from directors of approximately HK\$1.9 million; and amount due from a joint venture of approximately HK\$3.6 million. The key components of our current liabilities as at 31 March 2018 included (i) trade and other payables of approximately HK\$16.6 million; (ii) bank borrowings of approximately HK\$2.7 million; and (iii) tax payable of approximately HK\$4.5 million.

As at 31 March 2017, our net current assets increased by approximately HK\$17.9 million, or 163.1%, from approximately HK\$10.9 million as at 31 March 2016 to approximately HK\$28.8 million as at 31 March 2017. Our current assets increased primarily due to (i) an increase in number of projects during the year ended 31 March 2017 which in turn lead to an increase in our trade and other receivables of approximately HK\$13.8 million; (ii) an increase in amounts due from directors of approximately HK\$2.3 million; and (iii) an increase in amounts due from related parties of approximately HK\$2.5 million. Our current liabilities decreased primarily due to (i) a decrease in amount due to a joint venture of approximately HK\$5.8 million; and (iii) a decrease in bank borrowings of approximately HK\$0.4 million; although there was an increase in tax payable of approximately HK\$3.1 million.

DISCUSSION OF CERTAIN COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Plant and equipment

The following table sets out the respective carrying values of our plant and equipment as at the respective dates indicated:

	Construction equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer HK\$'000	Motor vehicles HK\$'000	Total <i>HK\$</i> '000
As at 31 March 2016	558	318	83	457	1,416
31 March 2017	708	260	65	236	1,269
31 March 2018	374	202	58	571	1,205

As shown in the table above, our plant and equipment consists primarily of construction equipment and motor vehicles. We purchased our construction equipment and motor vehicles mainly with our internally generated resources, bank borrowings and/or through finance lease arrangements. Construction equipment are primarily the various types of machinery used for our civil engineering construction works, which include excavators, welding machine, high pressure water jet machine, road compactor, grinding machine and generator. For further details of the construction equipment for our operations, please refer to the section headed "Business – Machinery" of this prospectus.

Trade and other receivables

Our trade and other receivables consisted of (i) trade receivables; (ii) retention receivables; (iii) other receivables, deposits and prepayments; and (iv) deferred Listing expenses. The following table sets out the breakdown of trade and other receivables as at the respective dates indicated:

	As at 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Trade receivables	10,685	23,756	37,737	
Retention receivables	2,104	2,756	6,212	
Other receivables, deposits and				
prepayments	1,360	1,479	3,429	
Deferred Listing expenses			2,690	
	14,149	27,991	50,068	

Trade receivables

Based on the activities carried out in the preceding month, we submit to our customers a payment application for interim payment for our projects. If a works order or a project is completed, we issue the certified completion report for completed works order or apply for a certificate of practical completion for a completed civil engineering construction project, as our case may be, from our customer together with our payment application. Our customers in turn apply to the relevant Government departments based on our payment application. Once the relevant Government department is satisfied with the payment application, an (interim) payment certificate will be issued to our customers. Credit period granted to our customers is normally 30 days.

Our trade receivables increased from approximately HK\$10.7 million as at 31 March 2016 to approximately HK\$23.8 million as at 31 March 2017 due to the increase in number of projects undertaken by us during the year ended 31 March 2017, which led to an increase in our revenue, combined with fluctuations in the actual works orders received by us or work progress of our ongoing projects, the amount certified by the relevant customers and the amount settled by the relevant customers as at the respective reporting dates.

Our trade receivables increased from approximately HK\$23.8 million as at 31 March 2017 to approximately HK\$37.7 million as at 31 March 2018. This was primarily due to the increase in number of projects undertaken by us during the year ended 31 March 2018, and in particular the commencement of three repair and maintenance projects. The increase in trade receivables also affected by fluctuations in the actual works progress of our ongoing projects, the amount certified by the relevant customers and the amount settled by the relevant customers as at the respective reporting dates.

As our payment, is subject to the relevant Government departments' satisfaction and certification of our completed works, any delay or reduction in the Government's budget and funding for civil engineering works projects may affect the timeliness of the settlement of our trade receivables. For further details of our operation risk in relation to the delay to the Government's budget and funding, please refer to the paragraph headed "Risk Factors – Risks relating to our industry – The Government's budget and funding for civil engineering works projects may be adversely affected by lawmakers' filibustering in the Legislative Council" in this prospectus.

We seek to maintain strict control over our outstanding trade receivables as well as retention receivables to minimise credit risk. Our management reviews overdue balances regularly and sends out payment reminders for such balances. We do not hold any collateral or other credit enhancements over our trade receivables balances. Trade receivables are non-interest bearing.

The following table sets out our ageing analysis of trade receivables from clients as at the respective dates indicated:

	\mathbf{A}	s at 31 March	
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
0-30 days	4,007	19,557	21,208
31-60 days	4,889	107	8,327
61-90 days		1,227	448
Over 90 days	1,789	2,865	7,754
	10,685	23,756	37,737

The above ageing analysis is based on the date of the payment applications or date of invoices. We recognise our trade receivables based on the dates of payment applications or the dates of invoices, instead of on the date of payment certificates. It is because the amount of works completed and rates are agreed with our customers upon the issuance of payment applications or invoices. The payment applications are usually attached with a certified completion report of the relevant works orders for our customers' submission to the relevant Government departments. As for our revenue recognition policy, we recognise our revenue by reference to the stage of completion of our projects at the end of each reporting period, measured based on the proportion that the surveys of works performed during the period except where such surveys cannot reflect clearly the stage of completion. For details of our revenue recognition policy, please refer to the paragraph headed "Critical accounting policies and estimates – Accounting policies – Revenue recognition" in this section.

However, there may be occasions where the trade receivables had not become past due despite having a long ageing. Subject to the credit terms agreed between our customers and us, customers' obligation to pay may not arise until, for instance, 30 to 45 days after the issuance of payment certificates. In case there is prolonged settlement from the ultimate customer of the relevant project, i.e. the relevant Government departments, it may take several months for our customers to issue the payment certificates. In these circumstances, notwithstanding the trade receivables have long been recognised on the date of payment

application or invoices, the outstanding balances are still within the credit period agreed between our customers and us. It results in a long ageing of our trade receivables but without being classified as overdue. During the Track Record Period, the trade receivables which were past due for over 90 days amounted to approximately HK\$0.2 million as at 31 March 2016, approximately HK\$0.4 million as at 31 March 2017 and approximately HK\$0.9 million as at 31 March 2018 representing approximately 1.5%, 1.7% and 2.3% of the total trade receivables as at 31 March 2016, 31 March 2017 and 31 March 2018 respectively.

During the Track Record Period, we did not experience any bad debt in respect of our trade receivables. We determine specific allowance for doubtful debts on a case-by-case basis having regard to a number of factors, including length of business relationship, the ageing of the receivable balances, customers' past credit history and their financial strength as well. In general, the relevant Government departments need time to certify the completion of works or the percentage of work done before arrangement could be made for payment to our customers. Upon receiving the payment certificates by our customers from the relevant Government departments, our customers will then issue our payment certificates and arrange payment to us. The trade receivables past due but not impaired as at the end of each year were either subsequently settled or no historical defaults of payments was noted by the respective customers. Based on our customers' past credit history and the fact that during the Track Record Period all our projects undertaken are public sector projects, our Directors believe that no provision for impairment is necessary in respect of these balances as the balances are still considered to be fully recoverable.

The following table sets out our debtors' turnover days during the year indicated:

	As at 31 March		
	2016	2017	2018
	days	days	days
Debtors' turnover days	61.4	85.4	122.3

Note: Debtors' turnover days is calculated by the average trade receivables as at the respective period end divided by the total revenue for the period and multiplied by the number of days in the period.

The trade receivables turnover days indicates the average number of days required for us to collect payments from our customers. Our trade receivable turnover days during the Track Record Period were longer than our credit terms granted to customers mainly because our customers usually take time to revert to us to confirm the amount of works done before payment. The debtors' turnover days increased from approximately 61.4 days for the year ended 31 March 2016 to approximately 85.4 days for the year ended 31 March 2017 and further increased to approximately 122.3 days for the year ended 31 March 2018.

As at the Latest Practicable Date, approximately HK\$10.0 million or 88.7%, HK\$20.2 million or 85.1% and HK\$18.6 million or 49.3% of trade receivables as at 31 March 2016, 2017 and 2018, respectively, were subsequently settled. The substantial increase in debtors' turnover days during the Track Record Period and the unsettled trade receivables as at the Latest Practicable Date were principally due to prolonged settlement from the ultimate customers, i.e. the relevant Government departments such as Highways Department, of the repair and maintenance projects to our customers. There were occasions where the process of issuing the payment certificates by the relevant Government departments has not been

completed. Based on our understanding of the industry, it is normal for a main contractor to settle the final account with its subcontractors after the entire works order is completed despite the fact that the amount of works performed and the rates may have already been confirmed between them.

(i) assessment on the recoverability of trade receivables balance for the year ended 31 March 2018

	Settled as at 31 July 2018 (HK\$'000)	Payment certificates issued as at 31 July 2018 but not yet settled (HK\$'000)	Pending for the issuance of payment certificates as at 31 July 2018 (note 1) (HK\$'000)	Total trade receivables as at 31 March 2018
1-30 days	10,248	5,079	5,881	21,208
31-60 days	7,161	1,166	_	8,327
61-90 days	_	448	_	448
Over 90 days	1,190	5,951	613	7,754
Total	18,599	12,644	6,494	37,737
(% of total)	49.3%	33.5%	17.2%	100.0%

Note:

- (1) For the unsettled trade receivables which are pending for issuance of payment certificates, all completion reports of those projects had been certified by the relevant Government departments or our customers and we had submitted payment applications accordingly. We recognised trade receivables in these cases based on the dates of payment applications or dates of invoices.
- (a) As at 31 July 2018, 49.3% of trade receivables balance as at 31 March 2018 has been settled; and
- (b) other than the amount as mentioned in item (a) above, we are still waiting for the issuance of payment certificates by our customers and/or their respective customers, i.e. the relevant Government departments or public bodies the remaining balance of HK\$6.5 million, or 17.2% of the trade receivables as at 31 March 2018. Based on our customers' past credit history and for the reason that all of our projects undertaken during the Track Record Period were public sector projects, we are not aware of any issues regarding the recoverability of such sums.

(ii) assessment of our credit control policy

Given the fact that (i) our management reviews the account receivables balance on a monthly basis; and (ii) there was no history of default payment by our customers, our Directors is of the view that our credit control policy is adequate and effective.

Retention receivables

When undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. In general, for repair and maintenance projects, our customers will retain 3% to 10% of each interim payment as retention money on the project. The release of retention money varies from project to project. The common practice for our customers is to release a certain portion of the retention money upon the issuance of payment certificate while retaining the remaining portion until the expiration of the defects liability period or a pre-agreed period. Whereas for civil engineering construction works projects, our customers may hold up to 5% of the contract sum as retention money for a project also varies from project to project. The common practice for our customers is to release a certain portion of retention money upon the issuance of payment certificate while retaining the remaining portion until the expiration of defects liability period.

Our retention receivables increased from approximately HK\$2.1 million as at 31 March 2016 to approximately HK\$2.8 million as at 31 March 2017 due to the increase in the number of both repair and maintenance projects and civil engineering construction projects undertaken during the year ended 31 March 2017, and hence retention receivables grew in line with the increase in our revenue.

Our retention receivables increased from approximately HK\$2.8 million as at 31 March 2017 to HK\$6.2 million as at 31 March 2018. Such increase is due to the retaining of retention money by our customers for our projects without any significant release of retention monies during the year ended 31 March 2018.

Other receivables, deposits and prepayments

Deposits and prepayments mainly represented amounts paid for office rental, utility deposits for work site and rental deposits for construction equipment. Deposits and prepayments were amounted to approximately HK\$1.4 million, HK\$1.5 million and HK\$3.4 million as at 31 March 2016, 2017 and 2018, respectively.

Amounts due from customers for contract works

Amounts due from customers for contract works represent the contract costs incurred to date plus recognised profit less recognised loss less progress billings. In brief, it represents works performed by us, for which the payment certificates have not yet been obtained from our customers as at the end of a financial year.

Our revenue from repair and maintenance projects and civil engineering construction projects is recognised based on the stage of completion. Generally, we submit interim payment or final payment applications to our customers on a monthly basis in accordance with the value of works undertaken by us, for both repair and maintenance projects and civil engineering construction projects. Our customers will in turn apply to the relevant Government departments based on our payment application and the Government department will issue a progress certificate certifying the portion of works completed after inspection. It generally takes one months to ten months for the Government to certify the completion of repair and maintenance works. Once the Government department is satisfied with the payment application, an (interim) payment certificate will be issued to our customers.

As our payment application is subject to our customers' payment application to the relevant Government departments, there is normally a timing difference between completion of works and the issuance of payment certificates.

The amounts due from customers for contract works also vary from period to period due to the difference in number of works orders we received from our customer during each reporting period. As at 31 March 2016, 2017 and 2018, amounts due from customers for contract works were approximately HK\$5.1 million, HK\$2.1 million and HK\$3.6 million, respectively. As at 31 July 2018, approximately HK\$3.4 million or 93.4% of amount due from customers for contract works as at 31 March 2018 were subsequently certified and settled by our customers.

The following table sets out our amounts due from customers for contract works as at the respective dates indicated:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the end of the reporting period:			
Contract costs incurred plus recognised			
profit less recognised loss	18,159	29,708	25,305
Less: Progress billings	(13,089)	(27,588)	(21,693)
	5,070	2,120	3,612

Amounts due from directors

Amounts due from directors represented the amount due from (i) Mr. Ha of approximately HK\$1.6 million, HK\$2.6 million and HK\$1.0 million as at 31 March 2016, 2017 and 2018, respectively; and (ii) Mr. Ip of approximately HK\$1.2 million, HK\$2.6 million and HK\$0.9 million as at 31 March 2016, 2017 and 2018, respectively. The amounts were non-trade in nature, unsecured, interest-free and repayable on demand. All the amounts due from directors are expected to be settled before Listing.

Amounts due (to) from a joint venture

Amount due (to) from a joint venture represented the amount due to Talent Global of approximately HK\$5.8 million as at 31 March 2016 and amounts from Talent Global of approximately HK\$0.8 million and HK\$3.6 million as at 31 March 2017 and 2018, respectively. The amounts were non-trade in nature, unsecured, interest-free and repayable on demand. As at the Latest Practicable Date, Talent Global has repaid HK\$2.9 million, and the amounts outstanding have been reduced to HK\$0.7 million. The outstanding balance is expected to be settled before Listing, which will be financed by contributions from the respective joint venture partners.

Trade and other payables

Our trade and other payables primarily consisted of (i) trade payables; (ii) retention payables; (iii) accrued expenses; (iv) receipt in advance; (v) accrued payroll expenses; (vi) accrued Listing expenses and (vii) other payable. The following table sets out the breakdown of trade and other payables as at the respective dates indicated:

	As at 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Trade payables	1,960	2,181	11,251	
Retention payables	1,306	564	656	
Accrued expenses	453	475	430	
Receipt in advance	165	561	_	
Accrued payroll expenses	518	1,312	2,220	
Accrued Listing expenses	_	-	2,061	
Other payables	9	13	6	
	4,411	5,106	16,624	

Trade payables

Our trade payables mainly represented amounts payable to our suppliers, from whom we purchased construction materials, and subcontracting charges. As our business are term contracts for repair and maintenance projects with varying number of works orders received and project-based for civil engineering construction works which may not be recurring, our cost of sales during the Track Record Period fluctuated subject to the size and the progress of our construction works and as such our trade payables balance and creditors' turnover days as at a reporting date or during a reporting period may be affected.

Our trade payables increased from approximately HK\$2.0 million as at 31 March 2016 to approximately HK\$2.2 million as at 31 March 2017. Our trade payables increased from approximately HK\$2.2 million as at 31 March 2017 to approximately HK\$11.3 million as at 31 March 2018.

The following table sets out our ageing analysis of trade payables presented based on the invoice dates as at the respective dates indicated:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
0-30 days	1,545	1,966	8,097
31-60 days	188	70	723
61-90 days	159	23	767
Over 90 days	68	122	1,664
	1,960	2,181	11,251

The average credit period on trade payables is generally 30 days.

The following table sets out our creditors' turnover days during the year indicated:

	2016	2017	2018
	days	days	days
Creditors' turnover days	16.5	14.9	37.2

Note: Creditors' turnover days is calculated by the average trade payables as at the respective period end divided by cost of sales for the period and multiplied by the number of days in the period.

The creditors' turnover days were 16.5 days, 14.9 days and 37.2 days for each of the years ended 31 March 2016, 2017 and 2018, respectively. The increase in our creditors' turnover days for the year ended 31 March 2018 was due to the increase in purchase of construction materials and supplies, which in turn was due to the increase in work orders received for our repair and maintenance projects.

As at the Latest Practicable Date, all of our trade payables as at 31 March 2016, 2017 and 2018 were settled.

RELATED PARTY TRANSACTIONS AND BALANCES

Please refer to notes 31 in the Accountants' Report in Appendix I to this prospectus for details of the related parties transactions and balances with related parties. Our Directors are of the view that these transactions were conducted on an arm's length basis, and would not distort our results of operation during the Track Record Period or make our historical results during the Track Record Period not reflective of our expectations of our future performance. Our Directors confirm that all other personal guarantees provided for us will be released or replaced by corporate guarantees or guaranteed by surety bonds and all amounts due from/to related parties will be settled before Listing.

INDEBTEDNESS

At the close of business on 31 July 2018, being the latest practicable date on which such information was available to us, we had bank borrowings and obligations under finance leases of approximately HK\$1.6 million and HK\$0.5 million, respectively. The carrying amount of bank borrowings are denominated in HK dollars. The interest rates of our bank borrowings ranged from 5.8% to 6.6%.

As at 31 July 2018, our bank borrowings were unsecured and guaranteed by Mr. Ip and Mr. Ha, the Controlling Shareholders of the Company, and Ms. Wang, mother of Mr. Ha. Our obligations under finance leases of approximately HK\$0.1 million were guaranteed by Mr. Ip, the Controlling Shareholder. All of our obligations under finance leases were secured by legal charges over plant and equipment with carrying value of approximately HK\$483,000. All unsecured bank borrowings contained repayment on demand clauses and were repayable within one to two year. The guarantees provided by Mr. Ha, Mr. Ip and Ms. Wang will be released and replaced by a corporate guarantee provided by our Company upon Listing. As at the Latest Practicable Date, we did not have unutilised banking facilities.

Contingent liabilities

We had no significant contingent liabilities as at 31 July 2018.

Save as disclosed in the paragraph headed "Indebtedness" in this section, as of 31 July 2018, we did not have any other outstanding mortgages or charges, borrowings or indebtedness including bank overdrafts, loans or debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, debt securities authorized or otherwise created but unissued, liabilities under acceptances or acceptance credits or any guarantees outstanding or other material contingent liabilities.

Our Directors confirm that (i) we have not experienced any difficulty in obtaining bank borrowings during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in our indebtedness and contingent liabilities since 31 March 2018 and up to the Latest Practicable Date; (iii) our Directors are not aware of any material defaults in the payment of our trade and non-trade payables, bank borrowings and obligations under finance leases during the Track Record Period and up to the Latest Practicable Date; (iv) our bank borrowings are subject to standard banking conditions; and (v) we have not received any notices from banks indicating that they might withdraw or downsize our banking facilities and none of our banking facilities is subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our ability to undertake additional debt or equity financing.

OPERATING LEASE COMMITMENTS

As at 31 March 2018, we had commitments for future minimum lease payments under a non-cancellable operating lease in respect of rented premises which become due as follows:

	2016 HK\$'000	2017 <i>HK</i> \$'000	2018 <i>HK</i> \$'000
Within one year In the second to fifth years inclusive			311 65
			376

Operating lease payments represent fixed rental payable by the Group for its office premises. The lease is negotiated with fixed lease term for 2 years.

OFF-BALANCE SHEET ARRANGEMENTS

We did not enter into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

CAPITAL EXPENDITURES

During the Track Record Period, we did not incur material capital expenditure. Our capital expenditure as at 31 March 2016, 2017 and 2018 amounted to approximately HK\$1.4 million, HK\$0.8 million and HK\$0.8 million respectively, which was incurred for the purchase of construction equipment, furniture fixtures and equipment, computers and motor vehicles.

WORKING CAPITAL SUFFICIENCY

Taking into consideration the financial resources available to us including the internally generated funds, the available banking facilities and the estimated net proceeds from the Share Offer, our Directors are of the view that after due and careful inquiry, that we have sufficient working capital for at least 12 months commencing from the date of this prospectus.

SUMMARY OF KEY FINANCIAL RATIOS

The table below sets out a summary of key financial ratios respect of our results of operation for the years ended or as at 31 March 2016, 2017 and 2018:

	As at or for the year ended		the year ended 3	31 March
	Notes	2016	2017	2018
Profitability ratios				
Return on assets	1	38.7%	39.4%	11.2%
Return on equity	2	78.8%	54.9%	18.6%
Liquidity ratios				
Current ratio	3	1.8 times	3.5 times	2.5 times
Quick ratio	4	1.8 times	3.5 times	2.5 times
Capital adequacy ratios				
Gearing ratio	5	12.0%	3.8%	8.6%
Net debt to equity ratio	6	N/A	N/A	6.3%
Interest coverage	7	68.7 times	111.8 times	31.2 times

Notes:

- 1. Return on assets is calculated by dividing net profit divided by the total assets at the end of the respective year and expressed as a percentage.
- 2. Return on equity is calculated by dividing net profit attributable to the owners of our Company divided by the total equity attributable to the owners of our Company at the end of the respective year and expressed as a percentage.
- 3. Current ratio is calculated by dividing the total current assets by the total current liabilities.
- 4. Quick ratio is calculated by dividing total current assets net of inventories by current liabilities.
- 5. Gearing ratio is calculated by dividing all interest-bearing borrowings and obligations under finance leases by total equity and expressed as a percentage.
- 6. Net debt to equity ratio is calculated by dividing all interest-bearing borrowings and obligations under finance leases net of cash and cash equivalents by total equity and expressed as a percentage.
- 7. Interest coverage is calculated by the profit before interest and tax divided by the interest expenses.

Profitability ratios

Return on assets

Our return on assets were 38.7% for the year ended 31 March 2016 and 39.4% for the year ended 31 March 2017, which were maintained relatively stable.

We recorded a decrease in return on assets to approximately 11.2% for the year ended 31 March 2018 and such decrease was mainly due to the significant decrease in net profit resulting from Listing expenses incurred during the year ended 31 March 2018.

Return on equity

We recorded a decrease in return on equity from approximately 78.8% for the year ended 31 March 2016 to approximately 54.9% for the year ended 31 March 2017 primarily due to the fact that the total equity recorded a higher growth than the net profit, resulting from (i) significant increase in total assets mainly attributable to increased trade and other receivables; and (ii) decrease in total liabilities mainly caused by reduction in amount due to others.

We recorded a decrease in return on equity from approximately 54.9% for the year ended 31 March 2017 to approximately 18.6% for the year ended 31 March 2018 primarily due to Listing expenses incurred during the year ended 31 March 2018 resulting in a significant decrease in our profit for the year amounted to HK\$9.6 million.

Liquidity ratios

Current ratio

Our current ratio increased from approximately 1.8 times as at 31 March 2016 to approximately 3.5 times as at 31 March 2017. This was primarily due to the significant increase in our trade and other receivables from HK\$14.1 million as at the year ended 31 March 2016 to HK\$28.0 million as at the year ended 31 March 2017, leading to an increase in current assets.

Our current ratio decreased from approximately 3.5 times as at 31 March 2017 to approximately 2.5 times as at 31 March 2018. This was primarily due to the significant increase in our trade and other payables from HK\$5.1 million as at the year ended 31 March 2017 to HK\$16.6 million as at the year ended 31 March 2018, leading to an increase in current liabilities.

Quick ratio

During the Track Record Period, we did not hold any inventory. Accordingly, our quick ratio was the same as our current ratio.

Capital adequacy ratios

Gearing ratio

Our gearing ratio decreased from approximately 12.0% as at 31 March 2016 to approximately 3.8% as at 31 March 2017. It was mainly due to unsecured bank borrowings and obligation under finance leases being substantially repaid during the year ended 31 March 2017 with cash generated from operations while we continued to accumulate retained earnings.

Our gearing ratio increased from approximately 3.8% as at 31 March 2017 to approximately 8.6% as at 31 March 2018. It was mainly due to new bank borrowings raised during the year ended 31 March 2018.

Net debt to equity ratio

Our debt to equity ratio is nil as at 31 March 2016 and 2017 as the amount of cash and cash equivalents exceed the amount of unsecured bank borrowing as at 31 March 2016 and 2017. Our debt to equity ratio was 6.3% as at 31 March 2018. It was mainly due to new bank borrowings raised during the year ended 31 March 2018.

Interest coverage

Our interest coverage was approximately 68.7 times, 111.8 times and 31.2 times for the years ended 31 March 2016, 2017 and 2018, respectively. During the year ended 31 March 2017, our interest coverage increased substantially to 111.8 times as a result of the carrying out of a substantial amount of construction works of two projects with an aggregate revenue recognised of approximately HK\$48.8 million which gave rise to a growth of profit before interest and tax. Our interest coverage decreased to 31.2 times during the year ended 31 March 2018 due to a decrease in profit for the year as a result of the Listing expense incurred of HK\$8.7 million during the year ended 31 March 2018 and the completion of one project with an aggregate revenue recognised of approximately HK\$30.7 million during the year ended 31 March 2017. Our finance costs remained relatively stable during the Track Record Period.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Foreign exchange risk

We currently are not exposed to foreign exchange risk as all of our monetary assets and liabilities are denominated in Hong Kong dollars.

Interest rate risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

Our bank borrowings charge interest at fixed rates. Having balanced the costs and benefits, our Directors do not consider a policy on cash flow hedges of interest rate risk necessary. Nevertheless, our management keeps monitor any change of interest exposure and will consider implementing measures from time to time to mitigate the adverse change of interest rate should the need arise.

Credit risk

We are exposed to credit risk primarily due to the collectability risk of the trade receivables due from our customers. Our Directors consider that our customers are reputable corporations and hence the credit risk attached to our customers is very relatively low. We perform ongoing credit evaluation on the financial condition of our debtors, past history of making payments and tightly monitors the ageing of the trade receivables. We would take necessary follow up action in case of overdue balances or when the above credit

evaluation results draw the attention of our Directors. In addition, our management reviews the recoverable amount of the trade receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by us during the Track Record Period and are considered to be effective in limiting our exposure to credit risk.

Liquidity risk

We have a policy in place to regularly monitor our liquidity requirements, both current and expected, in order to maintain sufficient reserves of cash and adequate lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Our Directors are of the view that our liquidity risk management policy enables us to have sufficient resources to meet our debt obligations and working capital needs.

Capital risk

Our objectives for managing capital are to ensure our ability to continue as a going concern and to maintain an optimal capital structure in order to minimise our costs of capital, support our business and maximise shareholders' value.

To maintain or adjust capital structure, we may adjust our dividend payout ratio, make return of capital to Shareholders in the form of dividend or share buyback, issue new Shares or raise new debt. No changes in the objectives, policies or processes were made during the Track Record Period.

Neither our Company nor any of our subsidiaries are subject to any externally imposed capital requirements.

DIVIDENDS

We had declared a dividend of HK\$14.0 million to our existing Shareholders during the Track Record Period.

There is no expected dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$23.0 million, assuming the Offer Size Adjustment Option is not exercised and based on the mid-point of the indicative Offer Price range. The Listing expenses are non-recurring in nature and are mainly consisted of professional fees paid to the Sole Sponsor, the legal advisers, the reporting accountants and other professional parties for the provision of their services in connection with the Share Offer. No Listing expense was incurred during the two years ended 31 March 2017. Of the aggregate Listing expenses of approximately HK\$23.0 million, approximately HK\$8.7 million was charged to profit or loss for the year ended 31 March 2018. We expect to further charge approximately HK\$7.1 million to profit or loss, while approximately HK\$7.2 million is expected to be directly attributable to the issue of Shares and accounted for as a deduction from equity upon successful Listing under the relevant accounting standards. The amount of Listing expenses is a current estimate for reference only and the final amount to be recognised to our combined statement of comprehensive income for the year ending 31 March 2018 is subject to audit and the actual changes in variables and assumptions.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Please refer to note 34 of the Accountants' Report in Appendix I to this prospectus for events which took place subsequent to 31 March 2018.

DISTRIBUTABLE RESERVES

As at 31 March 2018, our Company had no distributable reserves available for distribution to its equity holders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted net assets attributable to owners of our Company as at 31 March 2018 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

				Unaudited pro
			Unaudited pro	forma
			forma	adjusted
	Audited		adjusted	combined net
	combined net		combined net	tangible assets
	tangible assets		tangible assets	of the Group
	of the Group		of the Group	attributable to
	attributable to		attributable to	owners of the
	owners of the	Estimated net	owners of the	Company as
	Company as	proceeds from	Company as	at 31 March
	at 31 March	the Share	at 31 March	2018
	2018	Offer	2018	per Share
	(<i>Note 1</i>)	(<i>Note</i> 2)		(<i>Note 3</i>)
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on the Offer Price				
of HK\$0.40 per Share	36,820	33,819	70,639	0.15
Based on the Offer Price				
of HK\$0.55 per Share	36,820	51,098	87,918	0.18

Notes:

- The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 are based on the audited combined net assets of the Group attributable to owners of the Company as at 31 March 2018 of approximately HK\$36,820,000 as extracted from the Accountants' Report as set out in Appendix I to this Prospectus.
- 2. The estimated net proceeds from the Share Offer are based on 120,000,000 Offer Shares at the Offer Price of HK\$0.40 and of HK\$0.55 per Offer Share being the low-end and the high-end of the Share Offer price range, after deduction of the listing fees and other related expenses payable by the Company (excluding listing expenses of approximately HK\$8,681,000 which have been charged to profit or loss up to 31 March 2018).
 - The calculation of such estimated net proceeds assumes the Offer Size Adjustment Option is not exercised and does not take into account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or issued or repurchase Shares referred to Appendix IV to the Prospectus.
- 3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 per Share is calculated based on 480,000,000 Shares expected to be in issue assuming that the Capitalisation Issue and the Share Offer had been completed on 31 March 2018. It assumes the Offer Size Adjustment Option is not exercised and does not take into account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to Appendix IV to the Prospectus.
- 4. No adjustment has been made to unaudited pro forma adjusted combined net assets of the Group attributable to owners of the Company as at 31 March 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules upon the listing of the Shares on the GEM.

RECENT DEVELOPMENT

Business updates

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking repair and maintenance works and civil engineering construction works in Hong Kong. In March 2018, we were awarded the roads and highway management and maintenance term contract for both structural works and regional works in Kowloon East (Project A11). We have submitted three tenders for civil engineering construction projects with aggregate tender price of approximately HK\$104.1 million after the Track Record Period and expect to receive the tender results in around October 2018. As at the Latest Practicable Date, we had eight ongoing major projects out of which six of them were repair and maintenance projects and the remaining two was a civil engineering construction project. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to us and none of them have had any material interruption.

Financial updates

Our Directors are of the view that our financial results for the year ending 31 March 2019 will be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring, and the expected increase in staff cost. The estimated Listing expenses as mentioned in the paragraph headed "Listing expenses" in this section are subject to adjustments based on the actual amount incurred or to be incurred. Prospective investors should note the impact of the Listing expenses and the expected increase in staff cost on our financial performance for the year ending 31 March 2019.

MATERIAL ADVERSE CHANGE

The impact of the Listing expenses and the expected increase in staff cost on the profit and loss accounts has posted a material adverse change in our financial or trading position or prospect since 31 March 2018 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the Listing expenses and the expected increase in staff cost on our financial performance for the year ending 31 March 2019.

Save as disclosed above, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Company or its subsidiaries since 31 March 2018 (being the date of which our latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 March 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

OUR FUTURE PLANS

Our principal business objective is to solidify our established market position in the roads and highways management and maintenance industry and enhance our market position in the civil engineering construction sector. Please refer to the section headed "Business – Business strategies" in this prospectus for our business objectives and strategies.

REASONS FOR THE LISTING

Industry outlook and our ability to capture the market opportunities

According to the Ipsos Report, the market size of the roads and highways management and maintenance industry in Hong Kong in 2017 is approximately HK\$1,646.6 million. For the year ended 31 March 2018, our revenue derived from repair and maintenance projects amounted to approximately HK\$75.2 million, representing a market share of approximately 4.6%. Our Directors believe there are ample opportunities for our business to grow. Leveraged on our competitive strengths in the industry, our market share has been increasing during the Track Record Period and the expansion is expected to continue going forward. Our ability to capture the market demand is evident from (i) our revenue growth in repair and maintenance projects during the Track Record Period from approximately HK\$41.4 million for the year ended 31 March 2016 to approximately HK\$57.8 million for the year ended 31 March 2017 and further to approximately HK\$75.2 million for the year ended 31 March 2018, representing a growth rate of over 30% each year; (ii) the increase in the number of repair and maintenance projects that we were involved in during the Track Record Period from five projects for the year ended 31 March 2016 to seven projects for the year ended 31 March 2018; (iii) our ability to renew existing contracts and enter into new contracts despite the fact that the main contractor in such projects may have changed, such as the roads and highways management and maintenance term contract in Kowloon West, Hong Kong Island and Kowloon East; and (iv) the increase in the scope and scale of works we undertook, such as the Hong Kong Island term contract for regional works (Project A7b), Kowloon East term contract for structural works (Project A11) which involved works orders of special nature, e.g. water proofing injection works, and the Kowloon East term contract for regional works - Kwun Tong (Project A11).

Sufficient ongoing projects or potential projects backlog to continue our growth

Going forward, our Directors consider there will be sufficient Government tenders available to us and sufficient projects for our Company to grow and capture. All ongoing contracts altogether, including the newly awarded contracts, specifically the Kowloon East term contract (Project A11), will bring an ample source and flow of works orders to us. It was on the basis that:

(a) a repair and maintenance term contract is a regular contract awarded by Highways Department which lasts for five to six years with continuous works flow during the term. Distinguished from a fixed sum contract, a roads and highways management and maintenance term contract generally includes a schedule of rates for each type of works and does not specify a total contract sum. Without a quantifiable or fixed contract sum, this, however, does not mean that there is no business growth to justify our expansion plan. Instead, a term contract provides certainty of a continuous income stream generated from the day to day works orders awarded from the Government. In such case, it is the remaining term of the term contracts which

provides a continuous and secured inflow of works orders to us. During the Track Record Period, we have consecutively secured the term contract for Kowloon East, Kowloon West and Hong Kong Island. The respective expiry dates of these three term contracts are March 2024, June 2020 and March 2023. Therefore we have secured stable works flow in at least the coming two years;

- (b) Highways Department needs to maintain the roads and highways condition in Hong Kong on a daily basis. The necessity and demand for roads and highways maintenance and regular inspection is ongoing, continuous and inevitable and subject to factors such as wear and tear conditions of different roads, occurrence of traffic accidents and weather conditions;
- (c) certain types of works are granted regularly such as road inspection and road cleansing works orders. Highways Department has its internal guidelines in respect of the periodic cleansing and inspection for different types of roads (e.g. monthly cleansing for covered footbridges, walkways and podium, quarterly cleansing for subways, flyovers and road sign gantries; halfyearly cleansing for underpasses, half-yearly inspection for every highways structures);
- (d) the Kowloon East term contract (Project A11), commenced in April 2018, represented a substantial source of works orders for us mainly due to the increased scope and nature of works involved under the renewed term contract for roads maintenance in Kowloon East. In addition to the regional works in Kowloon Bay, the new contract also covers structural works in Kowloon East and regional works in Kwun Tong. As at 31 August 2018 (which is only five months after the start of the Kowloon East term contract (Project A11)), we received 69 works orders from the Kowloon East term contract (Project A11) which we expect to generate approximately HK\$17.8 million of revenue for the year ending 31 March 2019. The amount of revenue will continue to increase when we receive more works orders after 31 August 2018;
- (e) based on the information currently available, we intend to pursue other tender opportunities offered by Highways Department and other Government departments. Specifically, based on the "Forecast of Invitations to Tender August 2018 to January 2019" published on Highways Department's website, there will be eight projects (one repair and maintenance project and seven civil engineering construction projects) available for tender from August 2018 to January 2019. We intend to submit one tender for repair and maintenance project and three tenders for civil engineering construction subcontracts after the main contractors secured the main contracts. Each of these eight projects is estimated to be with a minimum main contract sum of over HK\$200 million.

Our Directors estimate that the total contract sum of the three subcontracts for the aforesaid civil engineering construction projects, if we succeed in tendering for such subcontracts, is approximately HK\$598 million, based on the industry information of similar main contracts awarded in the past and our tendering strategies in pricing. As for the repair and maintenance project, i.e. the term contract for the management and maintenance of high speed roads in New Territories East, Kowloon East and Hong Kong Island 2019 – 2025, our Directors expect the contract sum for the main contract will be over HK\$400 million based on the historical award price of such main contract;

- the tendering cycle for a roads and highways management and maintenance term contract is relatively long and therefore stable as the term generally lasts for five to six years. In 2016, 2017 and 2018, Highways Department granted three, three and two repair and maintenance projects to main contractors. DSD, WSD and AFCD also granted repair and maintenance projects to the main contractors on an irregular basis from time to time. During the same period, DSD granted three, five and nil repair and maintenance projects, WSD granted nil, three and five repair and maintenance projects and AFCD granted one, one and nil repair and maintenance projects to main contractors. Going forward and based on our tendering strategies, we will continue to submit tender for the roads and highways management and maintenance term contract to be awarded by Highways Department including the upcoming high speed road term contract and securing the existing term contracts in Kowloon and Hong Kong Island upon the expiration of the current term. We will also submit tenders for repair and maintenance projects offered by other Government departments from time to time;
- (g) apart from our ability to generate revenue from ongoing and newly awarded projects, the political environment also has a role to play in driving the industry going forward. According to Ipsos, political uncertainty has a direct impact on the financing of public works projects in Hong Kong. Between 2012 to and 2016, the ongoing filibuster has delayed the approval of funding for numerous infrastructure projects in Hong Kong. Civil engineering projects which were delayed due to previous filibustering activities are expected to commence in or after 2018, leading to an increase in the estimated gross output value from 2018 to 2022; and
- (h) the Government expenditure in terms of district and maintenance works for Highways Department in the 2018 Budget is estimated to be approximately HK\$2,338.7 million, representing an approximately 53.0% increase from the actual Government expenditure of approximately HK\$1,528.7 million in 2017. This warrants a stable output from the upstream customer in the industry.

Despite the inherent uncertainty as to the outcome of future tender bids, given (i) the high success rate in our tenders for repair and maintenance projects; (ii) our competitive advantages including the stable relationship with major customers, subcontractors and suppliers and our established presence in the industry as discussed in the paragraph headed "Business — Competitive strengths" in this prospectus; (iii) the availability of suitable Government repair and maintenance projects and the industry outlook; (iv) the stable and continuous nature of repair and maintenance works; (v) the growth of our business operation and financial performance since establishment; and (vi) the cessation of filibuster campaign in the Legislation Council, our Directors are confident that we will continue to secure new contracts. Additional funding from the Share Offer is therefore crucial for us to further expand our scale of operation.

Other reasons for Listing

Our Directors also consider achieving a listing status to be a crucial way to solidify our established market position in the roads and highways management and maintenance industry, enhance our market position in the civil engineering construction sector and compete with our major competitors in the roads and highways management and maintenance industry in Hong Kong in the following ways:—

(i) Enhance the retention of existing employees and facilitate the recruitment of new talents

Our Directors believe that as a listed company, we will be able to retain our existing staff more effectively, at both operational and administrative level. We believe that our staff will feel more stable and secured about their employment with a financially sound listed company, rather than joining a private company, hence strengthening their morale at work. In turn, an integrated workforce will improve the quality of our services, and efficiency of our day-to-day operations to the benefit of our long-term development and competitiveness. Access to a larger pool of talents will facilitate our recruitment of additional manpower under our expansion plans.

(ii) Ease of raising funds in capital market for future business development

Our Directors decided to proceed with equity financing in the form of Listing for the purpose of our business expansion instead of debt financing based on the following factors:

- (a) financial institutions generally require borrowers to provide assets as securities for long-term loans. As at 31 March 2018, the carrying amount of our property, plant and equipment was approximately HK\$1.2 million. The amount of assets available to be used as securities for loans is far below the amount of funds required for financing our expansion plans. Therefore, our Directors consider that we will not be able to implement our expansion plans by solely relying on debt financing as our available assets are unlikely to be sufficient to provide the loan security required for financing our future plans;
- (b) if we raise additional funds by debt financing, we may be subject to various covenants under the relevant debt instruments which may restrict our ability to pay dividends or obtain additional financing. Further, the repayment terms of such loans, including but not limited to the covenants and interest rates, may not be commercially acceptable to us. Uncertain interest rate movement in the future may also expose us to increasing borrowing costs which may adversely affect our financial performance and liquidity. Our Directors have also observed that there is a recent upward trend in the borrowing cost in Hong Kong;
- (c) acquiring machinery and equipment by way of finance lease is not practicable to us as many of the machinery and equipment we intend to acquire are second-hand which are not acceptable for finance lease by financial institutions; and
- (d) as at 31 March 2016, 2017 and 2018, we had a low gearing ratio of approximately 12.0%, 3.8% and 8.6%, respectively. Our Directors believe that it is necessary to maintain a disciplined financial strategy without exposing us to aggressive gearing in order to achieve sustainable growth in the long run. In view of our cash outflow exposure with respect to the upfront payments, including payments to suppliers, subcontractors, staff costs and payment for surety bonds, our Directors believe that we do not have sufficient internal generated funds to finance our expansion plans without Listing.

Therefore, after careful evaluation of different capital structures, our Directors decided to proceed with the Share Offer.

USE OF PROCEEDS

Based on the Offer Price of HK\$0.475 per Offer Share, being the mid-point of the indicative Offer Price ranged from HK\$0.40 to HK\$0.55 per Offer Share, and assuming the Offer Size Adjustment Option is not exercised, the net proceeds from the Share Offer are estimated to be approximately HK\$34.0 million, after deducting the relevant expenses in connection with the Share Offer. Our Directors intend to apply to such net proceeds as follows:

approximately HK\$12.0 million, representing approximately 35.3% of the net proceeds, will be used to acquire additional machinery and equipment comprising a crash cushion truck, traffic light trucks, hydraulic lift trucks, high pressure water jet units, generators, a midsize crane truck, a dump truck, survey equipment, confined space equipment, a fork lift car and motor vehicles required for our ongoing projects and projects to be undertaken in future. Most of the above-mentioned machinery and equipment are currently not owned by us. We rely on our subcontractors and machinery and equipment rental service providers to provide them.

The type of machinery and equipment used during the Track Record Period and their respective applications

We have purchased 53 major machines with an aggregate amount of HK\$3.9 million during the Track Record Period. As at the Latest Practicable Date, we had 13 road construction machinery, 17 road and drainage repair works machinery, five site monitor instruments and three site access equipment, details of the type and total number of machinery and equipment owned by us are shown as follows:

Name of machinery and equipment	Quantity	Application in types of works
Road construction machinery		
Generator	2	Excavation
Air compressor	1	Excavation
Drilling machine	1	Excavation
Excavator	1	Excavation
Cutter	1	Excavation
Generator & Breaker	1	Excavation
Road compactor	2	Surface reinstatement
Concrete mixer	1	Concreting
Generator	1	Excavation
Farmer transporter	1	Transportation
Reflectorless total station	1	Land surveying

Name of machinery and equipment	Quantity	Application in types of works
Road and drainage repair works machinery		
Hot applied bitumen binder joint sealant machine	3	Road enhancement
High Pressure Washing Machine	2	Cleansing
Grass cutter	2	Removal of trees
Blower	2	Cleansing
Welder	1	Steelwork
Generator	2	Steelwork
Diesel washing machine	1	Steelwork
Road cutting machine	1	Steelwork
Road compactor	1	Surface reinstatement
Welding machine	1	Steelwork
Compactor	1	Surface reinstatement
Site monitor instruments		
Gas detector	2	Inspection
Air Drone	1	Inspection
Sound meter	1	Inspection
Walkie-talkie	1	Inspection
Site access equipment		
Aluminum scaffold	1	Provision of access
5-meter scaffold	2	Provision of access
Others		
Motor vehicles	15	Transportation

Owing to the unique nature of our business and operation, our Directors consider that it is not feasible nor practicable to quantify and disclose detailed utilisation rate of our machinery and equipment. For details, please refer to the paragraph headed "Business – Machinery and equipment" in this prospectus. Our existing machinery and equipment can be applied in various works types such as cleansing, excavation, surface reinstatement, inspection, replacement and repair of highway structures which are mostly tools and hardware used in structural works.

Reasons for acquiring additional machinery and equipment

While most of the machinery and equipment deployed on the repair and maintenance projects were rented from machinery suppliers or provided by our subcontractors during the Track Record Period, our Directors consider additional machinery are crucial to the business growth and the implementation of our business strategies going forward based on the following reasons:

- (a) it was Highways Department's requirement to place crash cushion cars as safety measures at works sites if the contractors are carrying out works on high speed roads (with a maximum speed of 80 km per hour or above). In October 2016, Highways Department issued the "Practices for Road Works of Highways Department on Expressways, High Speed Roads and Other Roads with Speed Limit of 70 km per hour or above in supplement to the Code of Practice for the Lighting, Signing and Guarding of Road Works (CoP)". The new practices extended the safety measures on guarding arrangement to include works sites on roads with a maximum speed limit of 70 km per hour. Before implementation of this new practice, practically only contractors with works on high speed roads were required to comply with the guarding arrangement. After this new practice, effectively all road maintenance contractors will be affected. With the increase in number of projects and works undertaken by us, it is necessary for us to have our own crash cushion car to ensure their availability for the compliance with the new requirements of guarding arrangement. It is unlikely for us to secure all crash cushion cars required only from the rental market; and
- (b) the works scope of the newly awarded Kowloon East term contract (Project A11) increased. It includes structural works for Kowloon East (which covers the repair and maintenance works for the Eastern Harbour Crossing) and the regional works in Kwun Tong. The expansion on our machinery fleet and workforce is therefore necessary for us to fulfil the obligations under the new Kowloon East term contract. This is to ensure the flexibility to deploy and the availability of self-owned machinery and workforce to cater for any emergency situations.

Before the award of Project A11, we were also the subcontractor of the preceding roads and highways management and maintenance term contract in Kowloon East for the regional works in Kowloon Bay from 2014 to 2018 (Projects A2a and A2b). The successful renewal of the regional works term contract in Kowloon Bay and the additional work scope (including the structural works in Kowloon East covering the repair and maintenance of East Harbour Crossing and the regional works in Kwun Tong) will inevitably lead to our increasing demand on machinery and equipment. In particular, the execution of repair and maintenance works at East Harbour Crossing involves certain special types of works orders such as water-proof injection works and requires additional machinery including but not limited to 30 tons excavators and high pressure water jet units to ensure speedy completion of maintenance works during the closure of single tunnel after midnight.

Since the commencement of Project A11, we have encountered more and more difficulties in renting the relevant machinery and equipment or finding available subcontractors. There were occasions where we faced shortage of machinery in the

rental market, and as a result delayed the works schedule and received slow progress letters or overdue works order notices from Highways Department. During the Track Record Period, we received five, four and three slow progress letters and overdue works order notices respectively. After the Track Record Period, the number increased to eight which demonstrated our increasing demand for machinery and equipment. As we were unable to rent crash cushion trucks, traffic light trucks and midsize crane trucks, there were delays caused to our replacement works of road signs under the Kowloon West and Kowloon East structural works term contracts and our surface reinstatement works and staircase construction works under the Kowloon East regional works term contract. As a result, eight overdue works order notices were received. Severe delay will ultimately cause us to lose business, customers or become unable to renew the term contracts with the main contractors.

(c) Furthermore, our demand for machinery is projected to increase in order to cope with our business development plan to undertake more new and larger scale projects in the future and to capture the market opportunities in the roads and highways management and maintenance industry. According to the Ipsos Report, it is anticipated that the industry will continue to be driven by the ageing and deterioration of roads and highways and the amplifying public concern on road safety.

Having considered the aforesaid and our business expansion, the purchase of additional machinery is necessary to ensure our machinery is readily available to meet our customers' schedule which may be irregular or subject to changes. In addition, there is no guarantee that we can invariably lease machinery and equipment of good quality on commercially acceptable terms that can cater for our operational needs throughout the project duration (which may last for as long as six years). Hence, if we continue to rely on our subcontractors' machinery and equipment, we will not have complete control over the use, scheduling and quality of machinery and equipment to meet our customers' requirement. Our Directors believe that having our own fleet of machinery and equipment can enhance our flexibility to schedule our projects and quality and efficiency of our works which in turn enhance our competitiveness.

(d) The acquisition of additional machinery and equipment will also allow us to minimise the equipment rental costs and/or subcontracting costs. During the Track Record Period, given our limited capital resources, we needed to rent machinery and equipment from machinery suppliers and/or rely on the provision of such machinery and equipment by our subcontractor to cope with our project needs. For the three years ended 31 March 2018, the equipment rental cost we incurred was approximately HK\$220,000, HK\$405,000 and HK\$622,000, respectively. For the three years ended 31 March 2018, the subcontracting charges paid by us where the subcontractors provided the relevant machinery and equipment amounted to approximately HK\$18.7 million, HK\$30.1 million and HK\$19.8 million respectively. For the four months ended 31 July 2018, we have incurred equipment rental cost of approximately HK\$708,000 and such amount is expected to continue to increase due to the commencement of a newly awarded roads and highway management and maintenance project (structural and regional works) in Kowloon East (Project A11) after the Track Record Period. Furthermore, subcontractors usually charge a profit mark-up on the rental fees for their

machinery. By acquiring our own machinery, we do not have to pay rental expenses for machinery and hence the cost of subcontracting fees can be reduced, allowing us to submit a more competitive tender price to our customers as a result.

(e) Main contractors have various assessment criteria in evaluating subcontractors' submitted tenders in general. These include the subcontractors' experience and track record, quality and timeliness of execution of works, ability of the subcontractors' management team, tender price, availability of relevant machinery and their reputation in the industry. Before inviting subcontractor candidates to submit tenders, the main contractors are generally aware of the types of machinery owned by the subcontractors. The availability of self-owned machinery also affects the timeliness of execution of works as it allows us to mobilise the resources, deploy the machinery more efficiently and minimise the risk of delay in work progress. Leveraged on the availability of self-owned machinery, we expect the project to be executed in a more cost-effective manner through (i) reducing reliance on machinery supplier and/or subcontractors which provide the machinery and (ii) saving the relevant machinery rental costs/subcontracting costs. This in turn affects our pricing strategy and allows us to submit a more competitive tender price. This will increase our success rate in tender ultimately.

Going forward, we plan to acquire a crash cushion truck, traffic light trucks, hydraulic lift trucks, excavators, high pressure water jet units, generators, a midsize crane truck, a dump truck, survey equipment, confined space equipment, a fork lift car and motor vehicles to further optimise our works efficiency and technical capability for newly awarded projects and ongoing projects. The additional machinery and equipment will be applied to our existing repair and maintenance projects and civil engineering construction projects and also new projects which we will submit tenders. In determining the number of machinery and equipment to be purchased, we have considered (i) the number of machinery and equipment on hand and their respective functions and applications; (ii) the number of projects on hand and their nature of works; (iii) the estimated new projects to be tendered by us in the next 24 months; (iv) the operational scale and complexity of the new projects; and (v) the rental costs of machinery.

Our Directors believe that, by acquiring these machinery and equipment, we will (i) reduce our reliance on and the cost for our machinery and equipment rental service providers and subcontractors which include machinery in their execution of subcontracting works; (ii) mobilise our resources and relieve our difficulties in locating suitable machinery for our work execution; and (iii) maintaining our quality and timeliness of execution of works and reputation among our customers and in the industry.

The following table sets out the expected projects in which the newly acquired machinery and equipment are intended to be applied:—

Project	Nature of works	Machinery	Number of units (Note 1)	Expected useful life (1st hand/2nd hand)	Amount HK\$'000	Percentage of net proceeds
Project A11	Structural works	Crash cushion truck	1	6 (1 st)	1,300	4%
v	and regional works	Traffic light truck	4	6 (1 st)	2,120	6%
	-	Hydraulic lift truck	1	6 (2 nd)	400	1%
		30 tons Excavator	1	5 (2 nd)	1,080	3%
		High pressure water jet unit	1	4 (1 st)	200	1%
		Generator (35 Kw and 5 Kw)	2	3.5 (1 st)	265	1%
		Motor vehicles	2	6 (2 nd)	360	1%
		Midsize crane truck	1	6 (2 nd)	500	1%
		Dump truck	1	6 (2 nd)	450	1%
		Fork lift car	1	6 (2 nd)	300	1%
Project B4	Trench opening, drainage	9 tons Excavator	1	5 (2 nd)	800	2%
	construction, road	High pressure water jet unit	1	4 (1 st)	200	1%
	marking and road	Generator (5 Kw)	2	3 (1 st)	30	0%
	signing, resurfacing of	Motor vehicles	2	6 (1 st)	700	2%
	pavement and	Survey equipment	1	6 (1 st)	800	2%
	carriageway	Confined space equipment	1	6 (1 st)	300	1%
Project B5	Excavation of 22 inspection pits	Hydraulic lift truck	1	3 (2 nd)	400	1%
Project B6	Provision of universal	Generator (5 Kw)	2	3 (1 st)	30	0%
	accessibility facilities at footbridges, elevated walkways and subways	Motor vehicle	1	6 (1 st)	350	1%
Project B7	Improvement work to solar	Generator (35 Kw)	1	4 (1 st)	250	1%
	lighting system and shelter of Tsing Lung Tau Pier, Tsuen Wan	5.5 tons truck	1	6 (1 st)	800	2%

Note:

⁽¹⁾ Out of our newly acquired machinery and equipment, two motor vehicles are not included in the table as they are reserved for transportation of head office staff.

The newly acquired machinery and equipment can be applied in various works types such as steelwork, excavation, cleansing and road closure which are mostly regional works. Subject to the availability of these machinery and equipment, they can also be applied in structural works such as our Kowloon West, Kowloon East and Hong Kong Island term contract and other ongoing civil engineering construction projects. Our Directors consider the mobilisation of resource a crucial factor for us to further expand the operation as we receive works orders from the relevant Government departments and/or our customers on a daily basis. Set out below are the applications of the major machinery and equipment which we intend to acquire:

Machinery Application

Crash cushion truck Road closure
Traffic light truck Road closure

Hydraulic lift truck

Bridge repair and painting works

Excavation
High pressure water jet unit

Excavation
Cleansing

Generator Welding, excavation, concrete repair

In March 2018, we secured the subcontract for the roads and highway management and maintenance term contract for both structural and regional works in Kowloon East. In our previous term contract in Kowloon East, we were only responsible for the regional works in Kowloon Bay. Under the current Kowloon East term contract, we will be responsible for both structural works and regional works. We are specifically assigned with the regional works in Kwun Tong and Kowloon Bay under the subcontract. It is therefore anticipated that our needs for the machinery and equipment and also manpower for regional works will increase accordingly. During the Track Record Period, our machinery and equipment required for the execution of works orders for regional works were principally procured by leasing from independent machinery and equipment rental service providers or through the engagement of subcontractors who possessed the necessary machinery and equipment. The newly acquired machinery and equipment can also be applied to our future repair and maintenance projects and civil engineering construction projects which we intend to submit tender including the term contract for the management and maintenance of high speed roads in New Territories East, Kowloon East and Hong Kong Island 2019-2015.

The cost benefit analysis for us to purchase rather than lease machinery and equipment

After conducting a comparative analysis between (i) the additional monthly depreciation expenses incurred for the above machinery and equipment based on a straight-line method with 3 years of estimated useful life; and (ii) the monthly rental cost saved with reference to the quotations obtained from lessors of the relevant machinery and equipment, our Directors

consider that it is in our interest to purchase rather than to lease those machinery and equipment. The table below sets forth the estimated monthly rental cost saved and additional monthly depreciation expenses incurred from the acquisition of the machinery and equipment:

Machinery	Number of units	Approximate monthly depreciation expense following the acquisition	Approximate monthly rental cost
Crash cushion truck	1	36,000	120,000
Traffic light truck	4	59,000	312,000
Hydraulic lift truck	2	22,000	216,000
Excavator	2	52,000	161,000
High pressure water jet unit	2	11,000	78,000
Generator	7	16,000	79,800
Motor vehicles	7	49,000	66,500
Midsize crane truck	1	14,000	69,000
Dump truck	1	12,500	78,000
Survey equipment	1	22,000	40,000
Confined space equipment	1	8,000	90,000
Fork lift car	1	8,000	174,000
5.5 tons truck	1	22,000	10,800
		331,000	1,495,100

Based on the above table, the approximate monthly rental cost for the machinery and equipment that we intend to purchase is higher than the additional depreciation expenses that will be incurred. Therefore, the Directors consider that it is more cost effective to acquire than to lease the above machinery and equipment.

Concerning the option of finance lease that our Company may consider to finance our acquisition of machinery and equipment, based on (i) the annual interest payable under the finance lease will be approximately HK\$0.4 million; (ii) certain machinery such as the hydraulic lift trucks, motor vehicles, midsize crane truck, dump truck, fork lift car and excavators which we intend to acquire are second-hand machinery which cannot be acquired by way of finance lease or first-hand machinery which we were unable to obtain finance lease; (iii) the ownership of the machinery and equipment would remain with the financial institutions until each and every instalment of the respective finance lease agreement has been paid up in full; and (iv) some of such finance leases may require our Director(s) to provide personal guarantees, we consider that full payment of the machinery is more appropriate.

The expected total capital expenditure for the acquisition of the above machinery and equipment will be approximately HK\$12.0 million and such acquisition will be financed by the proceeds from the Share Offer. We plan to reduce outsourcing work to subcontractors after the

acquisition of the additional machinery and equipment. Since we will use more of our own machinery, the overall costs of projects can be reduced and we can be more competitive in our tender bids. The Directors also anticipate that the overall profit margins of our future projects will increase as we are able to mobilise our resources, control project costs, and thereby generate a higher profit margin.

approximately HK\$13.8 million, representing approximately 40.6% of the net proceeds, will be
used for strengthening our manpower to ensure that we have sufficient manpower for the
newly awarded projects and cater for the growing demand and Government expenditure in the
civil engineering industry.

All of our projects require the involvement of our senior management and engineers at various stages, such as project planning, administration, implementation and quality control. We believe that a team of skilled workers equipped with industry knowledge and experience in performing repair and maintenance works and civil engineering construction works is vital to our continuing success. We intend to execute the projects on hand and future additional projects by our own direct labour resources to the extent possible without substantial use of subcontractors. Our Directors consider that using our own direct labour resources (comparing to engaging subcontractors) would generally lead to a higher profit margin for us because a profit markup is generally factored in with the fees charged by our subcontractors. During the Track Record Period, we have incurred subcontracting costs of approximately HK\$24.5 million, HK\$31.5 million and HK\$27.2 million respectively. The beneficial impact on the gross profit margin in utilising direct labour resources can be illustrated with our historical performance in the Hong Kong Island structural works term contract. In our first Hong Kong Island term contract (Project A3), substantially all works orders were executed by our subcontractor, Talent Global, which resulted in a relatively lower gross profit margin of 23.2% to 24.5% in years 2016 and 2017. Whereas in the subsequent Hong Kong Island term contract (Project A7a), after reducing our reliance on subcontractors, we achieved a higher gross profit margin of 29.5%.

We plan to expand our labour resources by (i) setting up an additional operation team; and (ii) recruiting administrative staff to deal with the financial reporting requirements and corporate governance matters which we expect to strengthen following the Listing.

The following table sets out the position, qualification, expected years of experience required and number of staff for the major positions that we intend to recruit:

Position	Qualifications	Expected years of experience	No. of staff
General manager	 Bachelor degree for civil engineering or related disciplines Member of MICE or MHKIE Strong technical background and excellent management skills Good leadership, communication and interpersonal skills Self-motivated, proactive, systematic and able to work under pressure 	 20 years or more relevant experience 	1
Quantity surveyor manager	 High diploma or degree in quantity surveying Qualified member of HKIS/RICS Able to work under tight schedule and pressure Well organized, self-initiated and possess good communication skills Proficient in personal computers and program applications Good command of both written and spoken English 	 10 years of relevant experience 	1
Site engineer	 Bachelor degree in civil engineering or related discipline Valid driving license Proficient in word processing, spreadsheet and computer design software Good command of written and spoken English and Chinese 	 5 years of site experience in related fields 	1
Foreman	 Able to work under tight schedule and pressure Valid driving license Responsible Good communication skills 	 10 years of relevant experience 	1
Workers	 Able to work under tight schedule and pressure Responsible Good communication skills Obtain certain trade license is a plus 	- 2 years of relevant experience	10

We consider that it is imperative to expand our workforce given that:

(a) we need to strengthen our manpower resources in view of the growth drivers and business opportunities in the road and highway management and maintenance industry in Hong Kong. According to the Ipsos Report, it is anticipated that the industry will continue to be driven by the ageing and deterioration of roads and highways and the amplifying public concern on road safety. Defects on roads and highways may cause imminent and immediate hazards to road users and pedestrians, therefore roads and highways maintenance term contracts are released successively by Highways

Department to avoid any potential accidents. For details of the market drivers of the road and highway management and maintenance industry, please refer to the section headed "Industry Overview" in this prospectus;

- (b) in addition to the previous regional works term contract in Kowloon Bay, in March 2018, we were awarded the Kowloon East term contract for structural works in Kowloon East and regional works in Kwun Tong. Further, according to the "Forecast of Invitations to Tender" published on the website of the Highways Department, there will be 8 possible contracts (one repair and maintenance project and seven civil engineering construction projects) to be made available for tender by the Highways Department from August 2018 to January 2019 and we intend to submit one tender for the management and maintenance of high speed roads in New Territories East, Kowloon East and Hong Kong Island term contract and three tenders for the civil engineering construction subcontracts after the main contractor secured the main contract. For details of the forecast of invitations to tender from the Highways Department, please refer to paragraph headed "Reasons for the Listing" in this section. This has not yet included other possible civil engineering construction projects available for tender from CEDD and other Government departments and agencies. In deciding whether or not to tender for new projects, availability of manpower resources is among the key assessment criteria. During the Track Record Period, we had one operation team working on our projects with the total number of 10 projects that we had worked on in the same period. In order to undertake more projects, it is necessary for us to enhance our competitiveness by expanding our workforce.
- approximately HK\$5 million, representing 14.7% of the net proceeds, will be earmarked to take out surety/performance bonds issued by banks or authorised insurers in the amount of certain percentage of the contract sum in favour of our customers for projects we plan to tender. It is not uncommon that the main contractors or subcontractors in the civil engineering works industry may be required to arrange with banks or insurance companies to provide surety/performance bonds in the amount of certain percentage (usually 5% to 10%) of the contract sum to their customers to ensure due performance and observance of a contract by them. The surety/performance bond requirement may result in locking up of a portion of our capital during the term of the surety/performance bond and thereby affecting our liquidity position. Historically, we were more inclined to make use of personal guarantees given by our Directors instead of taking out surety/performance bond. Our Directors consider that if we are to undertake more projects (including projects of larger scale), we must continue to enhance our available financial resources and strengthen our liquidity position to satisfy the surety/ performance bond requirement for projects that may potentially be awarded to us. In this connection, we plan to finance the surety/performance bond requirements of both (Project A6 which is currently secured by personal guarantee and will be released upon listing) and future projects from the proceeds of the Share Offer.
- approximately HK\$3.2 million, representing approximately 9.4% of the net proceeds, will be used as general working capital of the Group.

The following table sets forth a breakdown of how the net proceeds from the Share Offer are intended to be applied and the timing of application:

	From the Latest	From 1 April	From 1 October	From 1 April	From 1 October		
	Practicable Date	2019 to	2019 to	2020 to	2020 to		Approximate %
	to 31 March	30 September	31 March	30 September	31 March		of the total net
	2019	2019	2020	2020	2021	Total	proceeds
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Acquisition of additional machinery and equipment	6,105	5,080	810	-	-	11,995	35.3
Strengthening our manpower	2,760	2,760	2,760	2,760	2,760	13,800	40.6
Strengthening our financial capabilities:							
(i) surety bond for the tender of new projects	3,000	-	-	-	-	3,000	8.8
(ii) surety bond for Project A6	2,000	_	-	_	_	2,000	5.9
Working Capital	3,205					3,205	9.4
Total	17,070	7,840	3,570	2,760	2,760	34,000	100

With our plan to expand our capacity by acquiring new machinery and to strengthen our manpower by setting up an additional operation team we expect that we will be able to solidify our established market position in the roads and highways management and maintenance industry and enhance our market position in the civil engineering construction industry.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.55 per Offer Share, the net proceeds our Company receive from the Share Offer will increase by approximately HK\$9.0 million. Our Directors presently intend to use the additional proceeds in the acquisition of additional machinery and equipment, strengthening manpower and working capital. If the Offer Price is set at the lowend of the indicative Offer Price range, being HK\$0.40 per Offer Share, the net proceeds our Company receive from the Share Offer will decrease by approximately HK\$9.0 million. Our Directors presently intend to reduce the net proceeds applying to the acquisitions of machinery and equipment, strengthening manpower and working capital.

If the Offer Size Adjustment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK\$9.5 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.55 per Share; (ii) HK\$8.2 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$0.475 per Share; and (iii) HK\$6.9 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$0.40 per Share. Any additional proceeds received by us from the exercise of the Offer Size Adjustment Option will also be allocated to our acquisition of additional machinery and equipment, strengthening man power and working capital on a pro-rata basis.

IMPLEMENTATION PLANS

Our implementation plans are set forth below for each of the six-month periods until 31 March 2021. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and key assumptions referred to in the paragraph headed "Bases and key assumptions" in this section. These bases and key assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed "Risk Factors" of this prospectus. Our actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that our plans will materialise in accordance with the expected time frame or that our objectives will be accomplished at all. In order to avoid idling of the newly acquired machinery and equipment, we intend to purchase these machinery and equipment by stages. Our Directors intend to carry out the following implementation plans to achieve our business objectives:

From the Latest Practicable Date to 31 March 2019

Business strategies	Implementation activities	Source of funds
Expanding our scope of service in repair and maintenance works	Apply for admission on the Specialist List (specialist contractor works category – supply and installation of expansion joints for highway structures)	N/A
Acquisition of additional machinery and equipment	Acquire two 5.5 tons trucks and two flashing arrow signs to form two traffic light trucks; one 24 tons truck and one crash cushion to form one crash cushion truck; one hydraulic lift truck; one 35 Kw and one 5 Kw generator; three private cars; one survey equipment; one confined space equipment; one fork lift car and one 5.5 tons truck	To be funded by net proceeds of the Share Offer of approximately HK\$6.1 million
Strengthening our financial capabilities	Release of personal guarantee and payment of surety bond for Project A6 surety bond for the tender of new projects	To be funded by net proceeds of the Share Offer of approximately HK\$5.0 million
Strengthening our manpower	Retain talents as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$2.8 million

From 1 April 2019 to 30 September 2019

Business strategies	Implementation activities	Source of funds
Acquisition of additional machinery and equipment	Acquire two 5.5 tons truck and two flashing arrow signs to form two traffic light trucks; one 30 tons and one 9 tons excavator; one high pressure water jet unit; one 35 Kw and two 5 Kw generators; 3 private cars, one midsize crone truck and one dump truck	To be funded by net proceeds of the Share Offer of approximately HK\$5.1 million
Strengthening our manpower	Retain talents as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$2.8 million

From 1 October 2019 to 31 March 2020

Business strategies	Implementation activities	Source of funds
Acquisition of additional machinery and equipment	Acquire one hydraulic lift truck; one high pressure water jet unit, two 5 Kw generators and one private car	To be funded by net proceeds of the Share Offer of approximately HK\$0.8 million
Strengthening our manpower	Retain talents as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$2.8 million

From 1 April 2020 to 30 September 2020

Business strategies	Implementation activities	Source of funds
Strengthening our manpower	Retain talents as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately
manpower	outsiness strategy	HK\$2.8 million

From 1 October 2020 to 31 March 2021

Business strategies	Implementation activities	Source of funds
Strengthening our	Retain talents as recruited for this	To be funded by net proceeds of
manpower	business strategy	the Share Offer of approximately
		HK\$2.8 million

BASES AND KEY ASSUMPTIONS

Investors should note that our implementation plans set out in the paragraph headed "Implementation Plans" in this section are formulated on the bases and key assumptions set out below:

- we shall have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to us, or in the political, economic or market conditions in which we operate;
- there will be no change in the effectiveness of the licences, permits and qualifications obtained by us;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we shall will not be materially affected by the risk factors as set out under the section headed "Risk Factors" of this prospectus; and
- we shall be able to continue our business operation substantially the same way as it has been operating and there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations and the implementation of our development plans.

Our Directors consider that the net proceeds from the Share Offer together with our internal resources will be sufficient to finance the implementation of our business plans as set forth in the paragraph headed "Implementation plans" above. Investors should be aware that any part of our business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan(s) materialise.

We shall issue an announcement in accordance with the requirement under the GEM Listing Rules if there is any material change in the use of proceeds as described above.

PUBLIC OFFER UNDERWRITERS

Sun International Securities Limited

Elstone Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may fall to be issued pursuant to the Offer Size Adjustment Options and any options which may be granted under the Share Option Scheme), and to certain other conditions set out in the Public Offer Underwriting Agreement (including but not limited to the Offer Price being agreed upon between the Sole Bookrunner and our Company), the Public Offer Underwriters has agreed to subscribe or procure subscribers for the Public Offer Shares which are being offered but are not taken up under the Public Offer on and subject to the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. If the Sole Bookrunner (in the capacities of the Underwriters) and the Company are unable to reach an agreement with our Company on the Offer Price at or before the Price Determination Date (or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters)), the Share Offer will lapse.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional, and have not been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (A) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands or any other jurisdiction where any member of the Group was incorporated or has a business presence (each a "Relevant Jurisdiction"); or

- (ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation to, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets), or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
- (iii) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (iv) any event or series of events in the nature of force majeure (including, without limitation, acts of Government, strikes, lock-outs, fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, economic sanctions, acts of God, accident or interruption or delay in transportation in or affecting any Relevant Jurisdiction); or
- (v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (vi) (A) any moratorium, suspension, limitation or restriction on trading in shares or securities generally on the Stock Exchange; or (B) any general moratorium on commercial banking activities in Cayman Islands or Hong Kong declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vii) any change or development involving a prospective change or development in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change on our condition, financial or otherwise, or in our earnings, business affairs, business prospects or trading position; or
- (ix) any of our executive Directors being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

- (x) the commencement by any governmental, regulatory body or organisation in any of the Relevant Jurisdiction of any action against any of our executive Directors or us or an announcement by any regulatory body or organisation that it intends to take any such action; or
- (xi) a contravention by any our member of the Predecessor Companies Ordinance, the Companies Ordinance or Companies Law or any of the GEM Listing Rules; or
- (xii) other than with the approval of the Sole Bookrunner, the issue or requirement to issue by our Company of a supplementary prospectus, Application Forms, preliminary or final offering circular pursuant to the Predecessor Companies Ordinance, the Companies Ordinance or the GEM Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Sole Bookrunner, materially adverse to the marketing for or implementation of the Share Offer; or
- (xiii) a petition is presented for the winding-up or liquidation of any our member or any our member makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any our member or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any our member or anything analogous thereto occurs in respect of any our member;

and which, in any such case and in the sole opinion of the Sole Bookrunner (also in the capacity as the Public Offer Underwriters),

- (a) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of our Company or our subsidiaries; or
- (b) has or may have or will have or is likely to have a material adverse effect on the success of the Share Offer or the level of Shares being applied for or accepted or the distribution of Shares; or
- (c) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus and/or for any material part of the Public Offer Underwriting Agreement to be performed or implemented as envisaged; or
- (d) has or will have the effect of making any material part of the Public Offer Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof,

- (B) there has come to the notice of the Sole Sponsor and/or the Joint Lead Managers:
 - (i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole: or
 - (ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
 - (iii) any of the Warranties (as defined in the Public Offer Underwriting Agreement) given by the Warrantors (being our Company, our executive Directors and our Controlling Shareholders, as defined in the Public Offer Underwriting Agreement) in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or might when repeated be) untrue or misleading or inaccurate in any material respect; or
 - (iv) any event, act or omission which gives or may give rise to any liability of the Warrantors (as defined in the Public Offer Underwriting Agreement) or any other indemnifying party pursuant to the indemnities given by the Warrantors under the Public Offer Underwriting Agreement; or
 - (v) any breach of any of the obligations of the Warrantors (as defined in the Public Offer Underwriting Agreement) or any other indemnifying party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable; or
 - (vi) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of our Company or our subsidiaries; or
 - (vii) any material litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the Warrantors (as defined in the Public Offer Underwriting Agreement) or any Director; or
 - (viii) any of the experts named in the paragraph headed "E. Other Information 6. Qualifications of experts" in Appendix IV to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it, respectively appears; or

- (ix) approval for the Listing of and permission to deal in the Shares to be issued or sold on the Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the Listing approval date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (x) our Company withdraws the Public Offer Documents (as defined in the Public Offer Underwriting Agreement) (and any other documents used in connection with the contemplated subscription our Shares) or the Share Offer,

then the Sole Sponsor and/or the Joint Lead Managers may, in its sole discretion and upon giving notice to our Company, terminate the Public Offer Underwriting Agreement with immediate effect.

Undertakings pursuant to the GEM Listing Rules and the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue or agree to issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or grant or agree to grant any options or interests or encumbrances over any Shares or other securities of our Company or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or the securities will be completed within six months from the Listing Date), except under the Share Offer or the Capitalisation Issue or for the circumstances provided under Rule 17.29(1) to Rule 17.29(5) of the GEM Listing Rules.

Our Company has undertaken to each of the Sole Sponsor, the Sole Bookrunner (in the capacity as themselves and the Public Offer Underwriters as well) and the Joint Lead Managers that except pursuant to the Share Offer, the Capitalisation Issue and any Share Option Scheme of any our members, at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date, our Company will not without the Sole Bookrunner's prior written consent and unless in compliance with the requirements of the GEM Listing Rules:

- (i) offer, pledge, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital;
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital; or

(iii) offer or agree to enter into, any transaction with the same economic effect described in limb (i) or (ii) above, or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above whether any of the foregoing transactions described in limb (i) or (ii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and our Company further agrees that, in the event of an issue or disposal of any Shares or any interest therein after the date falling six months from the Listing Date, our Company will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the Shares.

Nothing in the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of its subsidiaries provided that any such sale, or any enforcement of such pledge, mortgage or charge will not result in such subsidiary ceasing to be a subsidiary (as defined in the Companies Ordinance) of our Company within six months after the Listing Date; or (b) restrict any of our Company's subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary (as defined in the Companies Ordinance) of our Company within six months after the Listing Date.

Undertakings by the Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the GEM Listing Rules:

- (a) he or it will not, at any time in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner;
- (b) he or it will not, at any time during 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, he or it will then cease to be the Controlling Shareholder.

Pursuant to the Public Offer Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Sole Bookrunner (in the capacity as the Public Offer Underwriters as well) and the Joint Lead Managers or its affiliates acting on its behalf in connection with the Share Offer that without the prior written consent of the Sole Bookrunner:

- (a) he or it will not (i) in the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date (the "First Lock-up Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (ii) during the period of 12 months commencing on the date on which the First Lock-up Period expires, dispose of or, enter into any agreements of the foregoing transactions in limb (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be one of the Controlling Shareholders of our Company as defined in the GEM Listing Rules:
- (b) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling 12 months from the Listing Date, he or it will not
 - (i) offer, pledge, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any share capital of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital of our Company; or
 - (iii) offer or agree to enter into, any transaction with the same economic effect as any transaction described in limb (i) or (ii) above; or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above, whether any of the foregoing transactions described in limb (i) or (ii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and each of the Controlling Shareholders further agrees that, in the event of an issue or disposal of any Shares or any interest therein after the date falling 12 months from Listing Date, he or it will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the Shares.

Each of the Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Sole Bookrunner (in the capacity as the Public Offer Underwriters as well) and the Joint Lead Managers that he or it will, at any time within the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is 24 months after the Listing Date:

- (i) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of the Company or any interests therein beneficially owned by him or it for a bona fide commercial loan, immediately inform the Company and the Sole Bookrunner in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and
- (ii) upon any indication received by him or it, either verbal or written, from any pledge or chargee that any of the pledged or charged Shares or securities or interests in the Shares or other securities of the Company will be disposed of, immediately inform our Company and the Sole Bookrunner in writing of such indications.

Our Company has further agreed and undertaken to the Sole Sponsor, the Sole Bookrunner (in the capacity as the Public Offer Underwriters as well) and the Joint Lead Managers that, upon receiving such information in writing from the Controlling Shareholders, our Company shall, for so long as required by law and the GEM Listing Rules, as soon as practicable, notify the Stock Exchange and make a public disclosure of such information by way of an announcement in accordance with the GEM Listing Rules.

Indemnity

Each of our Company, the executive Directors and the Controlling Shareholders jointly and severally undertakes to the Sole Sponsor and the Sole Bookrunner (also in the capacities as the Public Offer Underwriters) to indemnify and hold harmless the Sole Sponsor, the Sole Bookrunner (also in the capacities as the Public Offer Underwriters) and the Joint Lead Managers, for themselves and on trust for each of their respective subsidiaries and affiliates and any of their respective representatives, partners directors, officers, employees, assignees and agents (collectively, the "Indemnified Parties" and individually, an "Indemnified Party") against, among other things, all losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company of the terms and conditions of the Public Offer provided that such indemnity shall not be available to an Indemnified Party to the extent that such losses have been solely caused by the gross negligence, wilful default, fraud, bad faith or breach of law on the part of the Indemnified Party.

Total commission and expenses

The Public Offer Underwriters will receive an underwriting commission rate of 4% of the Offer Price of the Public Offer Shares initially offered under the Public Offer (depending on the amount of the aggregate Offer Price), out of which it will pay any sub-underwriting commission. For unsubscribed Public Offer Shares reallocated to the Placing, our Company will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Sole Bookrunner.

The aggregate commissions, together with Listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the new Shares offered by our Company, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$23.0 million (assuming an Offer Price of HK\$0.475, which is the mid-point of the indicative Offer Price range of HK\$0.40 to HK\$0.55, and the Offer Size Adjustment Option is not exercised) in total and are payable by our Company.

Public Offer Underwriters' interests in our Company

Except as disclosed below and other than its obligations under the Public Offer Underwriting Agreement, as at the Latest Practicable Date, the Public Offer Underwriters are not interested directly or indirectly in any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of our Group.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Sole Sponsor and the Sole Bookrunner (in the capacity as the Placing Underwriters as well) on the Price Determination Date on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to procure subscribers for, or failing which to subscribe for itself, the Placing Shares being offered pursuant to the Placing which are not taken up under the Placing.

THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of 12,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed "the Public Offer" in this section; and
- (ii) the Placing of an aggregate of 108,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) as described under the paragraph headed "Placing" in this section.

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed "The Public Offer – Reallocation" in this section.

PRICING AND ALLOCATION

Determination of the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Saturday, 6 October 2018, or such later date as may be agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK\$0.55 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.55 for each Public Offer Share (plus 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy payable on each Offer Share), amounting to a total of HK\$2,777.71 per board lot of 5,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.55 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.

If, for any reason, our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 11 October 2018, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

Changes to Offer Price range

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a book-building process in respect of the Placing, and with the consent of our Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.grandtalentsgroup.com.hk notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Friday, 12 October 2018 (a) in The Standard (in English) and Hong Kong Economic Times (in Chinese); (b) on the website of the Stock Exchange at www.hkexnews.hk; and (c) our Company's website at www.grandtalentsgroup.com.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for will be made available through a variety of channels as described in "How to Apply for the Public Offer Shares – 11. Publication of results".

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer and Shares will fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme on GEM and such approval not having been withdrawn;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and
- (iii) the Offer Price having been determined and the execution of the related agreement on or before the Price Determination Date or such later date as may be agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters).

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company on the websites of our Company and the Stock Exchange at www.grandtalentsgroup.com.hk and www.hkexnews.hk respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to

apply for the Public Offer Shares — 13. Refund of application monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Friday, 12 October 2018 and will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination" has not been exercised at or before that time.

The Shares will be traded in board lots of 5,000 Shares each and the stock code of the Shares will be 8516.

THE PUBLIC OFFER

Our Company is initially offering 12,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer assuming the Offer Size Adjustment Option is not exercised. The Public Offer is fully underwritten by the Public Offer Underwriters.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

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 Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following bases:-

- (a) Where the Placing Shares are fully subscribed or oversubscribed:-
 - (i) if the Public Offer Shares are undersubscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Offer Shares to the Placing, in such proportions as the Sole Bookrunner deems appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 12,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 24,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 24,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 36,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 36,000,000Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 48,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 48,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 60,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

- (b) Where the Placing Shares are undersubscribed:-
 - (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers to subscribe for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;
 - (ii) if the Public Offer Shares are fully or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 12,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 24,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (i) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (ii) the Placing Shares are undersubscribed and the Public Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.40 per Offer Share) stated in this prospectus in accordance with Guidance Letter HKEX-GL91-18.

The Offer Shares to be offered in the Public Offer and the Placing may be reallocated as between these offerings at the discretion of the Sole Bookrunner.

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Friday, 12 October 2018.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing. Multiple or suspected multiple applications under the Public Offer and any application for more than 100% of the Public Offer shares initially available under the Public Offer are liable to be rejected.

PLACING

Number of the Placing Shares

The number of the Offer Shares to be initially offered for subscription under the Placing will be 108,000,000 new Shares representing 90% of the Offer Shares initially available under the Share Offer (subject to reallocation and the Offer Size Adjustment Option). Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer assuming the Offer Size Adjustment Option is not exercised. The Placing is expected to be fully underwritten by the Placing Underwriters.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Placing Shares will be effected in accordance with the "book- building" process described in the subsection headed "Structure and Conditions of the Share Offer — Pricing and allocation" in this prospectus, 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 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 Sole Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Placing Shares, and who has made an application under the Public Offer to provide sufficient information to the Sole Bookrunner so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application under the Public Offer.

Offer Size Adjustment Option

In connection with the Share Offer, we are expected to grant the Offer Size Adjustment Option to the Placing Underwriters under the Placing Underwriting Agreement. The Offer Size Adjustment Option would be exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) on or before 11 October 2018 at its sole and absolute discretion, to require the Company to allot and issue up to 18,000,000 additional new Shares, representing 15.0% of the Shares initially available for subscription under the Share Offer, on the same terms as those applicable to the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the sole and absolute discretion of the Sole Bookrunner.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Placing Underwriters to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be affected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date.

If the Offer Size Adjustment Option is exercised in full, the additional 18,000,000 Shares will represent approximately 3.6% of the Company's enlarged share capital respectively immediately after completion of the Placing and the exercise of the Offer Size Adjustment Option. The additional net proceeds received from the placing of the additional Shares allotted and issued upon exercise of the Offer Size Adjustment Option will be allocated in accordance with the allocations as disclosed in the section headed "Future Plans and Use of Proceeds".

Subject to the terms and conditions of the Placing Underwriting Agreement, the Placing Shares are expected to be fully underwritten by the Placing Underwriters.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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 our Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

DEALING

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Monday, 15 October 2018. Our Shares will be traded in board lot of 5,000 Shares each.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a WHITE Application Form or YELLOW Application Form;
- apply online via **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents and nominees 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 the Public Offer Shares on a **WHITE** Application Form or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States person (as defined in Regulation S under the U.S. Securities Act of 1933 ("Regulation S")).

If you apply online through the **HK eIPO White Form** service, 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/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Bookrunner, may accept it at its discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO** White Form service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person or a core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer; or
- are an associate or a close associate (as defined in the GEM Listing Rules) of any of the above;
- have been allocated or have applied for or indicated an interest in any 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 the **HK eIPO White Form** service at *www.hkeipo.hk*.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 29 September 2018 until 12:00 noon on Friday, 5 October 2018 from:

(a) any of the following offices of the Underwriters:

Name	Address
Sun International Securities Limited	Unit 2412-13, 24/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Elstone Securities Limited	Suite 3712, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

(b) any of the following outlets of Bank of Communications Co., Ltd. Hong Kong Branch:

District	Outlet Name	Address
Hong Kong	Business Department	20 Pedder Street, Central
	King's Road Sub-Branch	G/F., Kailey Court, 67-71 King's Road
Kowloon	Kwun Tong Sub-Branch	Shop E, Block G & H, G/F., East Sun Industrial Centre, 16 Shing Yip Street, Kwun Tong

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Saturday, 29 September 2018 until 12:00 noon on Friday, 5 October 2018 from:

- the Depository Counter of HKSCC at 1st Floor, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Bank of Communications** (**Nominee**) **Co. Ltd. – Grand Talents Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the outlets of the receiving bank listed above, at the following times:

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Saturday, 29 September 2018 - 9:00 a.m. to 1:00 p.m.

Tuesday, 2 October 2018 - 9:00 a.m. to 5:00 p.m.

Wednesday, 3 October 2018 - 9:00 a.m. to 5:00 p.m.

Thursday, 4 October 2018 - 9:00 a.m. to 5:00 p.m.

Friday, 5 October 2018 - 9:00 a.m. to 12:00 noon
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The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 5 October 2018, 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 below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying to the **HK eIPO White Form** Service Provider, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Articles;
- (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 Sole Bookrunner or the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Sole Sponsor, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner or the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) and/or any e-Auto Refund Payment instructions to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Sole Bookrunner and any of their respective directors, offices or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by anyone 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 Application Form or YELLOW Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the YELLOW Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply for the Public Offer Shares" in this section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at www.hkeipo.hk. 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 at www.hkeipo.hk, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* (24 hours daily, except on the last application day) from 9:00 a.m. on Saturday, 29 September 2018 until 11:30 a.m. on Friday, 5 October 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 5 October 2018 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 apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White** Form service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (*https://ip.ccass.com*) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner and the Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (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, the Sole Sponsor, the Sole Bookrunner and any of their respective directors, officers or representatives or any other person or parties involved in the Share Offer 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 Sole Bookrunner, the
 Underwriters, their respective directors, officers, employees, partners, agents,
 advisers and any other parties involved in the Share Offer, is or will be liable for
 any information and representations not contained in this prospectus (and any
 supplement to it);
- agree to disclose your personal data to our Company, the Sole Sponsor, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in

this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that
 application nor your electronic application instructions can be revoked, and
 that acceptance of that application will be evidenced by our Company's
 announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer

Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

• instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

```
Saturday, 29 September 2018 - 9:00 a.m. to 1:00 p.m.

Tuesday, 2 October 2018 - 8:00 a.m. to 8:30 p.m.

Wednesday, 3 October 2018 - 8:00 a.m. to 8:30 p.m.

Thursday, 4 October 2018 - 8:00 a.m. to 8:30 p.m.

Friday, 5 October 2018 - 8:00 a.m. to 12:00 noon
```

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participant.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Saturday, 29 September 2018 until 12:00 noon on Friday, 5 October 2018 (24 hours daily, except on Friday, 5 October 2018 the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 5 October 2018, 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 below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic**

application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the 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 **HK eIPO White Form** service is also only a facility provided by **HK eIPO White Form** Service Provider to public investors. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 5 October 2018 the last day for applications, 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.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number: or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it
 which carries no right to participate beyond a specified amount in a distribution of either
 profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The WHITE Application Form and YELLOW Application Form and have tables showing the exact amount payable for the 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** Application Form or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage 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.

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, 5 October 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between. 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 5 October 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the results of applications and the level and the basis of allocation of the Public Offer Shares on Friday, 12 October 2018 on our website at www.grandtalentsgroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.grandtalentsgroup.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Friday, 12 October 2018;
- from the designated results of allocations website at *www.tricor.com.hk/ipo/result* with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 12 October 2018 to 12:00 midnight on Thursday, 18 October 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 12 October 2018 to Thursday, 18 October 2018 (excluding Saturday, Sunday and Hong Kong Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 12 October 2018 to Tuesday, 16 October 2018 at all the receiving banks' designated outlets listed above.

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 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 to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.hkeipo.hk**;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 12,000,000 Public Offer Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.55 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 12 October 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form 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 Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 12 October 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 15 October 2018 provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 12 October 2018 or such other date as notified by us at www.hkexnews.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Friday, 12 October 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 12 October 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 12 October 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 12 October 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 12 October 2018, 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 Friday, 12 October 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

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 Friday, 12 October 2018, or, on any other date determined by HKSCC
 or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of results" above on Friday, 12 October 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 12 October 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application
 instructions on your behalf, you can also check the number of Public Offer Shares
 allotted to you and the amount of refund monies (if any) payable to you with that broker
 or custodian.
- 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 Friday, 12 October 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 12 October 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of

dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the 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 arrangements as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong

Deloitte.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GRAND TALENTS GROUP HOLDINGS LIMITED AND PULSAR CAPITAL LIMITED

Introduction

We report on the historical financial information of Grand Talents Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-51, which comprises the combined statements of financial position as at 31 March 2016, 2017 and 2018, the statement of financial position of the Company as at 31 March 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 March 2018 (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-3 to I-51 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 September 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2016, 2017 and 2018, and the Company's financial position as at 31 March 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustment

The Historical Financial Information is stated after making an adjustment to the Underlying Financial Statements as defined on page I-3 as was considered necessary.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by subsidiaries of the Company and states that no other dividend has been paid or proposed by the Company since its incorporation or by group entities during the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong
29 September 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the audited consolidated financial statements of China Talents Group Limited ("China Talents"), being the holding company of Talent Mark Development Limited ("TMD") and Talent Mart Construction Co., Limited ("TMC"), for the Track Record Period, and the management accounts of the Company for the period from 23 October 2017 (date of incorporation) to 31 March 2018 (the "Underlying Financial Statements"). The Underlying Financial Statements have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The consolidated financial statements of China Talents for the Track Record Period were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in HK dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 March			h
	NOTES	2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Revenue	6	52,847	73,569	91,764
Cost of sales		(37,608)	(50,814)	(65,926)
Gross profit		15,239	22,755	25,838
Other income		380	552	489
Other gains and losses	7	537	(12)	189
Administrative expenses		(2,835)	(3,514)	(6,183)
Listing expenses		_	_	(8,681)
Share of results of a joint venture	16	_	_	(1,254)
Finance costs	8	(194)	(177)	(333)
Profit before taxation		13,127	19,604	10,065
Income tax expense	9	(2,128)	(3,149)	(3,211)
Profit and total comprehensive income for				
the year	10	10,999	16,455	6,854
Profit (loss) and total comprehensive income (expense) for the year attributable to:				
Owners of the Company		11,003	16,458	6,854
 Non-controlling interest 		(4)	(3)	
		10,999	16,455	6,854

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
	NOTES	2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Plant and equipment	15	1,416	1,269	1,205
Deposit paid for acquisition of plant and	13	1,410	1,20)	1,203
equipment		_	30	_
Interest in a joint venture	16	_	_	_
Amount due from a related party	19	1,855	_	_
Timount due from a related party				
		3,271	1,299	1,205
Current assets				
Amounts due from customers for contract				
works	17	5,070	2,120	3,612
Trade and other receivables	18	14,149	27,991	50,068
Amounts due from directors	19	2,867	5,148	1,886
Amounts due from related parties	19	623	3,086	,
Amount due from a joint venture	19	_	794	3,628
Amount due from a non-controlling				
interest	19	3	3	_
Bank balances and cash	20	2,448	1,294	842
		25,160	40,436	60,036
Current liabilities				
Trade and other payables	21	4,411	5,106	16,624
Amount due to a related party	19	114	_	64
Amount due to a joint venture	19	5,835	_	_
Bank borrowings	22	1,333	956	2,743
Tax payable		2,366	5,471	4,502
Obligations under finance leases	23	154	103	227
		14,213	11,636	24,160
		17,213	11,030	27,100
Net current assets		10,947	28,800	35,876
Total assets less current liabilities		14,218	30,099	37,081

		As at 31 March		
	NOTES	2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Non-current liabilities				
Obligations under finance leases	23	184	80	204
Deferred tax liability	24	69	60	57
		253	140	261
Net assets		13,965	29,959	36,820
Capital and reserve				
Share capital	25	4,200	4,208	78
Reserves		10,780	25,758	36,742
Equity attributable to owners of the				
Company		14,980	29,966	36,820
Non-controlling interest		(1,015)	(7)	
Total equity		13,965	29,959	36,820

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at 31 March 2018 HK\$'000
Current asset		
Other receivables	18	4,420
Current liabilities		
Other payables	21	2,061
Amount due to a subsidiary	34	11,040
		13,101
Net current liabilities		(8,681)
Capital and reserves		
Share capital	25	_*
Reserves	35	(8,681)
Total equity		(8,681)

^{*} Less than HK\$1,000

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note i)	Retained profits HK\$'000	Non- controlling interest HK\$'000	Total <i>HK</i> \$'000
At 1 April 2015 Profit (loss) and total comprehensive	4,200	-	(985)	1,048	(1,011)	3,252
income (expense) for the year	-	_	_	11,003	(4)	10,999
Deemed distribution			(286)			(286)
At 31 March 2016 Profit (loss) and total comprehensive	4,200	-	(1,271)	12,051	(1,015)	13,965
income (expense) for the year	_	-	-	16,458	(3)	16,455
Share of effect upon waiver of the						
amount due from a subsidiary	-	_	(1,011)	-	1,011	-
Deemed distribution	-	_	(469)	-	-	(469)
Allotment of shares	8					8
At 31 March 2017 Profit and total comprehensive income	4,208	-	(2,751)	28,509	(7)	29,959
for the period Dividend recognised on distribution		-	-	6,854	_	6,854
(note 11)	_	_	_	(14,000)	_	(14,000)
Allotment of shares (note 25) Share issued by China Talents upon the Reorganisation as defined in note 2	6	13,994	-	_	-	14,000
(note 2 and 25)	(4,136)	_	4,136	_	_	_
Deregistration of a subsidiary					7	7
At 31 March 2018	78	13,994	1,385	21,363		36,820

Notes:

(i) Other reserve represents (a) the deemed distribution to Ms. Wang Shen ("Ms. Wang"), mother of Mr. Ha, one of the Controlling Shareholders as defined in note 2, and the directors which arises from the differences between the fair values of the lower-than-market advances to each of them and the nominal amounts of the advances at initial recognition, (b) share of deemed contribution of HK\$1,011,000 by the non-controlling interest of Talent Tren Construction Limited ("Talent Tren") in respect of waiver of the amount due to TMD of the amount of HK\$3,062,000 pursuant to an debt waiver agreement entered into between TMD and Talent Tren on 10 October 2016, and (c) the consideration in acquiring the entire equity interests of TMC and TMD by allotment and issuance of 4,000 and 4,200 ordinary shares with par value of US\$1 each of China Talents to Talent Prime and the reclassification of share capital of TMD and TMC to other reserve.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2016 2017		2018
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	13,127	19,604	10,065
Adjustments for:			
Depreciation of plant and equipment	975	885	852
Gain on deregistration of a subsidiary	-	_	(6)
(Gain) loss on disposal/written-off of plant and			
equipment	(537)	12	(183)
Share of results of a joint venture	_	_	1,254
Imputed interest income on amounts due from a			
related party and directors	(308)	(550)	(412)
Interest expenses	194	177	333
Bank interest income	(1)	(2)	(10)
Operating cash flows before movements in working			
capital	13,450	20,126	11,893
(Increase) decrease in amounts due from customers for			
contract works	(5,572)	2,950	(1,492)
Increase in trade and other receivables	(4,373)	(13,842)	(19,468)
(Increase) decrease in amount due from a joint venture	_	(794)	794
Increase in trade and other payables	1,839	695	11,534
Increase (decrease) in amount due to a related party	114	(114)	64
Increase (decrease) in amount due to a joint venture	2,108	(5,835)	
Cash generated from operations	7,566	3,186	3,325
Income tax paid	(53)	(53)	(2,951)
NET CASH FROM OPERATING ACTIVITIES	7,513	3,133	374
INVESTING ACTIVITIES			
Advance to directors	(2,110)	(3,986)	(4,352)
Purchase of plant and equipment	(1,044)	(750)	(327)
Advance to a related party	(460)	(1,043)	_
Advance to a joint venture	-	_	(4,882)
Proceeds from disposal of plant and equipment	1,132	_	223
Repayment from directors	41	1,657	612
Interest received	1	2	10
Placement of deposit paid for acquisition of plant and			
equipment	_	(30)	_
Repayment from a related party		564	
NET CASH USED IN INVESTING ACTIVITIES	(2,440)	(3,586)	(8,716)

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
FINANCING ACTIVITIES			
Repayment to a director	(2,649)	_	_
Repayment of bank borrowings	(1,508)	(1,777)	(2,720)
Issue costs paid	_	_	(2,609)
Repayment to a related party	_	_	(1,232)
Repayment of obligation under finance leases	(688)	(155)	(223)
Interest paid	(194)	(177)	(333)
Proceeds from allotment of shares	_	8	10,500
New bank borrowings raised	2,000	1,400	4,507
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(3,039)	(701)	7,890
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,034	(1,154)	(452)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	414	2,448	1,294
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,448	1,294	842
Represented by			
Bank balances and cash	2,448	1,294	842

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands as an exempted company with limited liability on 23 October 2017. Its parent and ultimate holding company is Talent Prime Group Limited ("Talent Prime"), a limited liability company incorporated in the British Virgin Islands ("the BVI") on 5 July 2017. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the Prospectus.

The Company is an investment holding company. The Group is principally engaged in provision of civil engineering construction works of road and highway related infrastructures and repair and maintenance works for structures of roads and highways.

The Historical Financial Information is presented in HK\$ which is also the functional currency of the Company.

2. GROUP REORGANISATION, BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA.

In preparation for the proposed listing of the Company's shares on GEM of the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the "Reorganisation").

Prior to the Reorganisation, TMD and TMC were beneficially owned by two individuals, namely Mr. Ha Chak Hung ("Mr. Ha") and Mr. Ip Chu Shing ("Mr. Ip") (collectively referred to as the "Controlling Shareholders"). The Controlling Shareholders have been controlling TMD and TMC on a collective basis on decision making process over, including but not limited to, financial, management and operational matters of TMD and TMC and they have always been acting in concert.

The Reorganisation comprises the following steps:

- (i) Talent Prime was incorporated in the BVI on 5 July 2017. Upon incorporation, 50 and 50 fully-paid ordinary shares with a par value of HK\$1 each of Talent Prime were allotted and issued at par to Mr. Ha and Mr. Ip, respectively.
- (ii) China Talents was incorporated in the BVI on 17 February 2017. Upon incorporation, 500 and 500 fully paid ordinary shares with a par value of US\$1 each of China Talents were allotted and issued at par to Mr. Ha and Mr. Ip, respectively. On 31 July 2017, China Talents further allotted and issued 100 fully paid ordinary shares to Talent Prime at a cash consideration of HK\$7,000,000. On 31 August 2017, upon the fulfillment of the completion criterion set out in the Subscription Agreement, Infinite Honor Limited ("Infinite Honor"), an independent third party, obtained the equity interest in relation to 700 ordinary shares of China Talents, while the allotment and issuance of the respective shares was made on 24 October 2017.
- (iii) Talent Tren Construction Limited ("Talent Tren") was inactive throughout the Track Record Period and deregistered on 14 July 2017.
- (iv) The Company was incorporated in Cayman Islands on 23 October 2017. On the date of incorporation, 100 ordinary shares, representing the entire issued share capital of the Company are issued at par and allotted to Talent Prime.

- (v) On 24 October 2017, China Talents acquired entire equity interest of TMC from Mr. Ha and Mr. Ip in consideration of allotment and issuance of 4,000 ordinary shares of China Talents, credited as fully paid, to Talent Prime. Upon completion, TMC became a wholly-owned subsidiary of China Talents.
- (vi) Prior to 16 August 2011, both Mr. Ha and Mr. Ip hold one share in TMD. On 16 August 2011, Mr. Ha transferred his one share in TMD to Ms. Wang. On 20 June 2013, TMD allotted 2,099,999 ordinary shares to each of Mr. Ip and Ms. Wang (who held the shares as nominee for Mr. Ha), respectively. Pursuant to a confirmatory deed signed between Mr. Ha and Ms. Wang on 24 October 2017, Mr. Ha has beneficially owned 50% of the issued capital of TMD during the period from 16 August 2011 to 24 October 2017. On 24 October 2017, Ms. Wang transferred 2,100,000 ordinary shares representing 50% of the issued capital of TMD to Mr. Ha at a consideration of HK\$1. On the same date, China Talents acquired entire equity interest of TMD from Mr. Ha and Mr. Ip in consideration of (i) transfer of 500 and 500 ordinary shares of China Talents held by Mr. Ha and Mr. Ip, respectively to Talent Prime and, (ii) allotment and issuance of 4,200 ordinary shares of China Talents.
- (vii) On 21 September 2018, the Company was interspersed between Talent Prime and China Talent by acquiring 10,000 ordinary shares, representing entire equity interest of China Talent, in consideration of allotting and issuing 9,200 and 700 ordinary shares of the Company to Talent Prime and Infinite Honor, respectively.

Upon the completion of the above steps, Talent Prime became the ultimate holding company of the Company which is not forming part of the Group. The Company became a holding company of the companies now comprising the Group on 21 September 2018. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Since TMC and TMD were under common control by the Controlling Shareholders, the equity transfer of these companies as stated above, except for the subscription of interest of China Talents by Infinite Honor as stated in note (ii), have been accounted for as a business combination involving entries under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the transfers had been completed on 1 April 2015. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period have been prepared to present the results, changes in equity and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period, or since their dates of incorporation, where there is a shorter period.

The combined statements of financial position of the Group as at 31 March 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation had been in existence at those dates, taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all the HKFRSs, Hong Kong Accounting Standards ("HKASs") and amendments issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2017 throughout the Track Record Period.

New and revised HKFRSs and interpretations in issue but not yet effective

At the date of this report, HKICPA has issued the following new and revised HKFRSs and interpretations that are not yet effective. The Group has not early adopted these new and revised HKFRSs and interpretations.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ³
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments, with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement ³
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ³
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle ³

- Effective for annual periods beginning on or after 1 January 2018.
- ² Effective for annual periods beginning on or after a date to be determined.
- Effective for annual periods beginning on or after 1 January 2019.
- Effective for annual periods beginning on or after 1 January 2021.

Except for the new and revised HKFRSs and Interpretation mentioned below, the directors of the Company anticipate that the application of all other new and revised HKFRSs and Interpretations will have no material impact on the financial statements in the foreseeable future.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

• in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under HKAS 39 Financial Instruments: Recognition and Measurement. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group intends to apply HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applying the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The directors of the Company intend to apply the limited retrospective method with cumulative effect of initial application recognised in the opening balance of equity at 1 January 2018.

Based on the Group's financial instruments and risk management policies as of 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group during the year ended 31 March 2018, the estimated accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables, retention receivables and contract assets. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 April 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i. e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

With regard to the civil engineering construction contracts and repair and maintenance works contracts, the directors specifically consider HKFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and significant financing component in the contracts. The directors of the Company have assessed that the civil engineering construction and repair and maintenance works provide distinct and significant integration service for infrastructures and roads which are considered a single performance obligation with regard to each individual contract. In addition, the directors of the Company have assessed that the performance obligation on the construction contracts is satisfied over time as the Company provides construction services on customers' sites which creates an asset that the customers control. As a result, revenue from these construction contracts should be recognised over time during the course of performance of construction service. Furthermore, the directors of the Company consider that the output method currently used to measure the progress towards complete satisfaction of performance obligation will continue to be appropriate under HKFRS 15.

The Group intends to apply HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application will be recognised in the opening retained profits and comparative information will not be restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group will elect to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures and changes in presentation as amounts due from customers for contract works and retention receivables will be reclassified to contract assets and trade receivables on the initial date of application, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$376,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$78,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. However, the management of the Company does not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and net assets of the Group.

Furthermore, the application of new requirements will result in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity
 can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in a joint venture.

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group's policy for recognition of revenue from contracts is described in accounting policy for civil engineering construction works and repair and maintenance works below.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Civil engineering construction works and repair and maintenance works

Where the outcome of a contract including civil engineering construction works and repair and maintenance works can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that the surveys of works performed during the year except where this would not be representative of the stage of completion. Variations in contract works, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts received before the related works is performed are included in the combined statements of financial position, as a liability, as advances received. Amounts billed for works performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages, salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before taxation' as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liability is generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax liability is not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary

differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Plant and equipment

Plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these combined financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in a joint venture is initially recognised in the combined statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the

Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An interest in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the interest in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's combined financial statements only to the extent of interests in the joint venture that are not related to the Group.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating-units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors, amounts due from related parties, amount due from a joint venture, amount due from a non-controlling interest and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured with amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, amount due to a related party, amount due to a joint venture and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provision

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flow (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an assets if it is virtually certain that reimbursement will be received and the amount of received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligation arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received from the contract.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next twelve months.

Estimated outcome of civil engineering construction works and repair and maintenance works

Revenue from civil engineering construction works and repair and maintenance works is recognised under the percentage of completion method which requires estimation made by the management of the Group on progress and outcome of the construction contract with reference to the payment certificates issued by the customer. Anticipated losses are fully provided on contracts when identified. The management of the Group estimates the contract costs and foreseeable losses based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in the businesses, the management of the Group reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses. Where the contract revenue is less than expected or actual contract costs are more than expected, the gross profit may need to be adjusted downward or additional losses may need to be recognised. As at 31 March 2016, 31 March 2017 and 31 March 2018, the carrying amounts of amounts due from customers for contract works are HK\$5,070,000, HK\$2,120,000 and HK\$3,612,000, respectively.

Estimated impairment of trade receivables, retention receivables and amount due from a joint venture

The management of the Group estimates the recoverability of trade receivables, retention receivables and amount due from a joint venture at the end of each reporting period. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is

measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of trade receivables, retention receivables and amount due from a joint venture as at 31 March 2016, 31 March 2017 and 31 March 2018 are approximately HK\$12,789,000, HK\$27,306,000 and HK\$47,577,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker ("CODM"), Mr. Ha and Mr. Ip, the Controlling Shareholders, for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. Information reported to CODM is based on business line operated by the Group. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segments are as follows:

(i) Civil engineering – Provision of civil engineering construction works of road and highway related infrastructures

(ii) Repair and maintenance – Provision of repair and maintenance works for structures of roads and highways

The Group's CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the Group's CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 March 2016

	Civil engineering construction works HK\$'000	Repair and maintenance works HK\$'000	Total <i>HK</i> \$'000
Segment revenue			
External sales	11,472	41,375	52,847
Segment results	3,533	11,706	15,239
Other income			380
Other gains and losses			537
Administrative expenses			(2,835)
Finance costs			(194)
Profit before taxation			13,127

For the year ended 31 March 2017

	Civil engineering construction works HK\$'000	Repair and maintenance works HK\$'000	Total <i>HK</i> \$'000
Segment revenue	15 705	53.774	72.560
External sales	15,795	57,774	73,569
Segment results	4,259	18,496	22,755
Other income			552
Other gains and losses Administrative expenses			(12) (3,514)
Finance costs			(177)
Profit before taxation			19,604
For the year ended 31 March 2018			
	Civil engineering construction HK\$'000	Repair and maintenance works HK\$'000	Total <i>HK</i> \$'000
Segment revenue			
External sales	16,560	75,204	91,764
Segment results	2,071	23,767	25,838
Other income			489
Other gains and losses			189
Administrative expenses Listing expenses			(6,183) (8,681)
Share of result of a joint venture			(1,254)
Finance costs			(333)
Profit before taxation			10,065

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results mainly represented gross profit earned by each segment without allocation of other income, other gains and losses, administrative expenses, share of result of a joint venture, finance costs and listing expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

No analysis of the Group's assets and liabilities by reportable segments is disclosed as it is not regularly provided to the directors for review.

Geographical information

The Group's operations are located in Hong Kong and all of the Group's revenue are derived from and non-current assets are located in Hong Kong.

Information about major customers

Revenue from customers during the Track Record Period individually contributing over 10% of the Group's revenue is as follows:

	Year ended 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Customer A ²	24,300	30,689	N/A ⁴	
Customer B ¹	11,472	15,316	N/A ⁴	
Customer C ²	6,259	_	_	
Customer D ²	5,610	18,081	18,197	
Customer E ³	_	N/A ⁴	15,452	
Customer F ²	_	N/A ⁴	18,962	
Customer G ²	_	_	16,426	
Customer H ²			11,388	

Revenue from civil engineering construction works and repair and maintenance works.

7. OTHER GAINS AND LOSSES

	Year ended 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Gain (loss) on disposal/written-off of plant and equipment	537	(12)	183	
Gain on deregistration of a subsidiary			6	
<u>-</u>	537	(12)	189	

² Revenue from repair and maintenance works.

Revenue from civil engineering construction works.

The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. FINANCE COSTS

	Year ended 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Interest on bank borrowings	93	157	296	
Interest on obligations under finance leases	101	20	37	
	194	177	333	

9. INCOME TAX EXPENSE

	Year ended 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Hong Kong Profits Tax				
- Current year	2,173	3,158	3,214	
Deferred taxation (note 24)	(45)	(9)	(3)	
	2,128	3,149	3,211	

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Profit before taxation	13,127	19,604	10,065	
Tax at Hong Kong Profits Tax rate of 16.5%	2,165	3,235	1,661	
Tax effect of share of loss of a joint venture	_	_	207	
Tax effect of expense not deductible for tax purpose	62	45	1,473	
Tax effect of income not taxable for tax purpose	(59)	(91)	(70)	
Tax effect of profit under tax concessions (Note)	(40)	(40)	(60)	
Income tax expense for the year	2,128	3,149	3,211	

Note: Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period. In addition, two subsidiaries of the Company operating in Hong Kong enjoyed tax concessions for years of assessment 2015/16, 2016/17 and 2017/18 under which the Hong Kong Profits Tax were reduced by 75%, subject to a ceiling of HK\$20,000, HK\$20,000 and HK\$30,000, respectively, per case in each of the years.

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	Year ended 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Profit and total comprehensive income for the year has				
been arrived at after charging (crediting):				
Directors' remunerations (note 12)	360	360	868	
Other staff costs:				
Salaries and other allowances	6,534	10,030	13,663	
Retirement benefit scheme contributions	283	458	561	
Total staff costs	7,177	10,848	15,092	
Auditor's remuneration	46	59	300	
Minimum operating lease rentals in respect of office				
premises	_	_	224	
Depreciation of plant and equipment	975	885	852	
Imputed interest income on amounts due from a related				
party and directors	(308)	(550)	(412)	
Bank interest income	(1)	(2)	(10)	

11. DIVIDENDS

On 30 September 2017, an interim dividend of HK\$7,000,000 was recognised as distribution by TMD to its then shareholders namely, Mr. Ha and Mr. Ip. On 30 March 2018, an interim dividend of HK\$7,000,000 was recognised as distribution by China Talent to its then shareholders namely, Talent Prime and Infinite Honor. On the same date, Infinite Honor waived its rights to such dividend of HK\$490,000 and agree that Talent Prime shall be entitled to Infinite Honor's share of such dividend.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

Other than the above, no other dividend is paid or proposed by the Company since its incorporation or by group entities during the Track Record Period.

12. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable by entities now comprising the Group to the directors of the subsidiaries who were appointed as the directors of the Company for their services rendered during the Track Record Period are as follows:

	Directors' fees HK\$'000	Salaries and other allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total <i>HK</i> \$'000
Year ended 31 March 2016 Executive directors:				
Mr. Ha	_	180	_	180
Mr. Ip		180		180
Total		360		360
	Directors' fees HK\$'000	Salaries and other allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2017 Executive directors:				
Mr. Ha	_	180	_	180
Mr. Ip		180		180
Total	_	360		360
	Directors' fees HK\$'000	Salaries and other allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2018				
Executive directors:				
Mr. Ha	_	400	34	434
Mr. Ip Non-executive director:	_	400	34	434
Mr. Lau				
Total		800	68	868

Both Mr. Ha and Mr. Ip were also directors of certain subsidiaries of the Company during the Track Record Period and the Group paid emoluments to them in their capacity as directors of these subsidiaries of the Company before their appointment as the executive directors of the Company on 23 October 2017. Mr. Lau was appointed as the non-executive director of the Company on 15 December 2017. Mr. Ip was appointed as the chief executive officer of the Company on 21 September 2018.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company (since its incorporation) and the Group.

None of the directors waived or agreed to waive any emolument during the Track Record Period.

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the years ended 31 March 2016, 2017 and 2018 include nil, nil and 2 directors, respectively. Details of whose emoluments are set out in note 12 above. Details of the emoluments of the 5, 5 and 3 highest paid non-directors individuals for the years ended 31 March 2016, 2017 and 2018, respectively, are as follows:

	Year ended 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Salaries and other benefits	1,759	2,078	1,427	
Discretionary bonus	_	34	84	
Retirement benefit scheme contribution	85	88	54	
	1,844	2,200	1,565	

The emoluments were within the following band:

	Year ended 31 March			
	2016	2017	2018	
	No. of	No. of	No. of	
	individuals	individuals	individuals	
Not exceeding HK\$1,000,000	5	5	3	

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Discretionary bonus was determined with reference of the Group's operating result and individual performance for such financial year.

14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the results of the Group for the Track Record Period that is on a combined basis as set out in note 2.

15. PLANT AND EQUIPMENT

	Construction equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2015	375	177	29	2,212	2,793
Additions	614	317	93	340	1,364
Disposal				(1,174)	(1,174)
At 31 March 2016	989	494	122	1,378	2,983
Additions	616	34	6	94	750
Written-off				(16)	(16)
At 31 March 2017	1,605	528	128	1,456	3,717
Additions	78	51	17	682	828
Disposal		(20)		(548)	(568)
At 31 March 2018	1,683	559	145	1,590	3,977
DEPRECIATION					
At 1 April 2015	148	89	14	920	1,171
Provided for the year	283	87	25	580	975
Eliminated on disposal				(579)	(579)
At 31 March 2016	431	176	39	921	1,567
Provided for the year	466	92	24	303	885
Eliminated on written-off				(4)	(4)
At 31 March 2017	897	268	63	1,220	2,448
Provided for the year	412	95	24	321	852
Eliminated on disposal		(6)		(522)	(528)
At 31 March 2018	1,309	357	87	1,019	2,772
CARRYING VALUES					
At 31 March 2016	558	318	83	457	1,416
At 31 March 2017	708	260	65	236	1,269
At 31 March 2018	374	202	58	571	1,205

The above items of plant and equipment are depreciated over their estimated useful lives, using straight-line method, at the following rates per annum:

Construction equipment	30%
Furniture, fixtures and equipment	20%
Computer	20%
Motor vehicles	30%

Motor vehicles with carrying amount of HK\$309,000, HK\$151,000 and HK\$356,000 as at 31 March 2016, 31 March 2017 and 31 March 2018, respectively are under finance leases arrangement (note 23).

16. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture is as follows:

As at 31 March		
2016	2017	2018
HK\$'000	HK\$'000	HK\$'000
5	5	5
(5)	(5)	(5)
_	_	_
_	_	1,254
		(1,254)
	HK\$'000	2016 2017 HK\$'000 HK\$'000 5 5

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activity
Talent Global Development Limited ("Talent Global")	Hong Kong	Hong Kong	50%	50%	Provision of repair and maintenance works for structures of roads and highways

Note: The loan to a joint venture is non-trade in nature, unsecured, interest free and repayable on demand.

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's audited financial statements for each of the years ended 31 March 2016, 31 March 2017 and 31 March 2018 prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in this Historical Financial Information.

17.

Talent Global Development Limited

	2016 HK\$'000	As at 31 March 2017 HK\$'000	2018 <i>HK</i> \$'000
Current assets	9,852	8,226	3,638
Current liabilities	(12,560)	(10,714)	(6,137)
The above amounts of assets and liabilities include the follow	ving:		
Cash and cash equivalent	17	26	12
Current financial liabilities (excluding other payables)	(12,091)	(10,001)	(6,137)
	Ye 2016 HK\$'000	ear ended 31 March 2017 HK\$'000	2018 <i>HK</i> \$'000
Revenue	16,268	23,180	_
Profit (loss) and total comprehensive income (expense) for the year	828	220	(10)
The unrecognised share of loss of a joint venture for the year			
Cumulative unrecognised share of loss of a joint venture	(1,354)	(1,244)	_
AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT	Γ WORKS		
	2016 <i>HK</i> \$'000	As at 31 March 2017 HK\$'000	2018 <i>HK</i> \$'000
Contracts in progress at the end of the reporting period: Contract costs incurred plus recognised profit less			
recognised loss Less: Progress billings	18,159 (13,089)	29,708 (27,588)	25,305 (21,693)
	5,070	2,120	3,612

18. TRADE AND OTHER RECEIVABLES

		The Group		The Company
	As at 31 March			As at
	2016	2017	2018	31 March 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	10,685	23,756	37,737	_
Retention receivables	2,104	2,756	6,212	_
Other receivables, deposits and				
prepayments	1,360	1,479	3,429	1,730
Deferred listing expenses			2,690	2,690
Total trade and other receivables	14,149	27,991	50,068	4,420

Trade receivables

The Group recognises trade receivables upon issuance of payment application/invoice. The payment certificates will generally be issued by project employer one month to ten months after the issuance of payment application/invoice for billing purpose and the credit term granted to customers is generally 30 to 45 days from the date of issuance of payment application/invoice or payment certificate. In addition, for construction contracts, the Group allows 1-10% of total contract price as retentions, which are normally due at the end of the defects liability period, ranging from 1 to 2 years from the date of completion of the respective projects.

The following is an aged analysis of trade receivables presented based on date of payment application/invoice at the end of each reporting period:

	As at 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
0 – 30 days	4,007	19,557	21,208	
31 – 60 days	4,889	107	8,327	
61 – 90 days	_	1,227	448	
> 90 days	1,789	2,865	7,754	
	10,685	23,756	37,737	

Included in the Group's trade receivables balances as at 31 March 2016, 2017 and 2018 are debtors with aggregate carrying amount of HK\$5,053,000, HK\$1,491,000 and HK\$2,194,000, respectively, which are past due at the end of each reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired and are based on credit term granted to customers

	As at 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
31 – 60 days	4,889	107	940	
61 – 90 days	_	970	392	
> 90 days	164	414	862	
	5,053	1,491	2,194	

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group's trade receivables that are neither past due nor impaired related to customers for whom there was no recent history of default.

Retention receivables

Retention receivables are unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts, ranging from 1 to 2 years from the date of the completion of the respective projects.

The following is an aged analysis of retention receivables which are to be settled, based on the expiry of the defects liability period, at the end of each reporting period:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Within one year	2,104	2,756	6,212

The Group's retention receivables with aggregate carrying amounts of HK\$2,104,000, HK\$2,756,000 and HK\$6,212,000 as at 31 March 2016, 2017 and 2018, respectively are not yet due. The Group does not hold any collateral over these balances.

In determining the recoverability of trade and retention receivables, the Group considers any change in the credit quality of the trade and retention receivables from the date credit was initially granted up to the end of each reporting period.

19. AMOUNTS DUE FROM (TO) RELATED PARTIES/ DIRECTORS/ A JOINT VENTURE/ A NON-CONTROLLING INTEREST

The Group

	As at					kimum bala outstanding the year en		
	1 April		at 31 Mar			31 March		
	2015	2016	2017	2018	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Amounts due from related parties								
Kaiser Global (China) Company Limited ("Kaiser Global")								
- current (note a)	163	623	1,102	_	1,187	1,102	1,102	
Ms. Wang								
non-current (note b)	1,735	1,855	-	_	1,855	_	_	
- current (note b)			1,984		_	1,984	2,100	
	1,898	2,478	3,086	_				
Amount due to a related party Kaiser Global (note a)		114		64				
Amounts due (to) from a joint venture (note c)	(3,727)	(5,835)	794	3,628				
Amounts due from directors (note d)								
Mr. Ha	(2,649)	1,625	2,573	972	1,625	2,573	7,972	
Mr. Ip	896	1,242	2,575	914	1,242	2,575	4,343	
	(1,753)	2,867	5,148	1,886				
Amount due from a non- controlling interest (note d)	3	3	3					

Notes:

a. Kaiser Global is controlled by a sister of Mr. Ha, a director of the Company. The amounts due from Kaiser Global of HK\$623,000 and HK\$1,102,000 are non-trade in nature, unsecured, interest-free and repayable on demand as at 31 March 2016 and 2017, respectively.

The amount due to Kaiser Global is trade in nature, interest-free, repayable on demand and has a credit term of 30 days.

The following is an ageing analysis of the amount due to Kaiser Global with trade nature presented based on the invoice dates at the end of each reporting period.

	As at 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
31 - 60 days	6	_	_	
> 90 days	108		64	
	114	_	64	

- b. Ms. Wang is mother of Mr. Ha, a director of the Company. The amount due from Ms. Wang is non-trade in nature, unsecured, interest-free and repayable on demand. As the balance at 31 March 2016 was not expected to be received within one year, the amount was classified as a non-current asset.
- c. As at 31 March 2016, the amount is trade in nature, unsecured, interest-free and has a credit term of 30 days. The following is an aged analysis of the amount due to a joint venture presented based on invoice dates at 31 March 2016:

	As at
	31 March
	2016
	HK\$'000
0-30 days	1,180
31 - 60 days	3,750
61 – 90 days	500
> 90 days	405
	5,835

As at 31 March 2017, the amount of HK\$794,000 represents payment in advance to the joint venture for subcontracting services provided to the Group, which is trade in nature, unsecured, interest-free and repayable on demand.

As at 31 March 2018, the amount of HK\$3,628,000 is non-trade in nature, unsecured, interest free and repayable on demand.

d. The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

20. BANK BALANCES AND CASH

Bank balances and cash comprise bank balances and cash on hand. Bank balances carry interest at prevailing market interest rates which were 0.05%, 0.05% and 0.05% per annum as at 31 March 2016, 2017 and 2018, respectively.

21. TRADE AND OTHER PAYABLES

		The Group		The Company
	A	s at 31 March		As at
	2016	2017	2018	31 March 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	1,960	2,181	11,251	_
Retention payables	1,306	564	656	_
Accrued expenses	453	475	430	_
Receipt in advance	165	561	_	_
Accrued payroll expenses	518	1,312	2,220	_
Accrued listing expenses	_	_	2,061	2,061
Other payables	9	13	6	
Total trade and other payables	4,411	5,106	16,624	2,061

Trade payables

The average credit period on trade payables is 30 days. The following is an aged analysis of trade payables presented based on the date of invoices/payment certificates at the end of each reporting period:

	As at 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
0 – 30 days	1,545	1,966	8,097	
31 – 60 days	188	70	723	
61 – 90 days	159	23	767	
> 90 days	68	122	1,664	
	1,960	2,181	11,251	

Retention payables

The retention payables are to be settled within 1 year, based on the expiry of defects liability period, at the end of each reporting period.

The following is an aged analysis of retention payables presented based on the dates of invoices/payment certificates at the end of each reporting period:

	As at 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Within one year	1,306	564	656	

22. BANK BORROWINGS

	As at 31 March				
	2016	2017	2018		
	HK\$'000	HK\$'000	HK\$'000		
Unsecured fixed-rate instalment loans	1,333	956	2,743		
Carrying amounts repayable (Note):					
On demand or within a year	1,333	956	2,222		
More than one year, but not exceeding two years			521		
Amount shown under current liabilities	1,333	956	2,743		

The unsecured fixed rate bank borrowings as at 31 March 2016, 2017 and 2018 carried interest at 7.20%, 7.20% and a range from 5.8% to 6.6% per annum, respectively.

As at 31 March 2016, 2017 and 2018, the Group's unsecured bank borrowings were guaranteed by Mr. Ip and Mr. Ha, and Ms. Wang.

Note: All unsecured bank borrowings contain repayment on demand clauses and are repayable within one to two years. The amounts due are presented as current liabilities based on scheduled repayment dates set out in the loan agreements.

23. OBLIGATIONS UNDER FINANCE LEASES

The Group leased its motor vehicles under finance leases with terms of five years during the Track Record Period. The effective interest rates were 8.68%, 7.84% and 6.90% per annum during the years ended 31 March 2016, 2017 and 2018, respectively. Interest rates are fixed at respective contract dates.

				Present va	lue of mini	mum lease	
		um lease pa	•	payments			
		s at 31 Mar			s at 31 Mar		
	2016	2017	2018	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Obligations under finance leases:							
Within one year	173	112	244	154	103	227	
Within a period of more than one year							
but not more than two years	112	83	97	103	80	89	
Within a period of more than two years							
but not more than five years	83		119	81		115	
	368	195	460	338	183	431	
Less: future finance charges	(30)	(12)	(29)	N/A	N/A	N/A	
Less. Tuture finance charges	(30)	(12)	(2)	10/A		10/11	
Present value of lease obligations	338	183	431	338	183	431	
Less: Amount due for settlement within twelve months (shown under current liabilities)				(154)	(103)	(227)	
Amount due for settlement after twelve							
months (shown under non-current							
liabilities)				184	80	204	

As at 31 March 2016, 2017 and 2018, the Group's obligations under finance leases of HK\$256,000, HK\$171,000 and HK\$80,000 were guaranteed by Mr. Ip.

24. DEFERRED TAX LIABILITY

The following is the deferred tax liability arising from accelerated tax depreciation recognised by the Group and movement thereon during the years ended 31 March 2016, 2017 and 2018:

	HK\$'000
At 1 April 2015	114
Credit to the profit or loss for the year (note 9)	(45)
At 31 March 2016	69
Credit to the profit or loss for the year (note 9)	(9)
At 31 March 2017	60
Credit to the profit or loss for the year (note 9)	(3)
At 31 March 2018	57

25. SHARE CAPITAL

The Group

On 23 October 2017, the Company was incorporated in the Cayman Island as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation of the Company, 100 shares of HK\$0.01 each were issued to Talent Prime for cash consideration of HK\$1.

The share capital as at 1 April 2015, 31 March 2016, 31 March 2017 and 2018 represented the combined issued share capital of following companies:

	As at	As at	As at	As at
	1 April	31 March	31 March	31 March
	2015	2016	2017	2018
	<i>HK\$</i> '000	HK\$'000	HK\$'000	HK\$'000
The Company TMD TMC China Talents	N/A	N/A	N/A	-
	4,200	4,200	4,200	N/A
	-	-	-	N/A
	N/A	N/A	8	78
	4,200	4,200	4,208	78

On 31 July 2017, China Talents allotted and issued 100 ordinary shares with par value of US\$1 each to Talent Prime for cash consideration of HK\$7,000,000.

In addition, pursuant to the Subscription Agreement signed on 1 August 2017, Infinite Honor made a capital contribution of HK\$7,000,000 for 700 new ordinary shares allotted and issued by China Talents. On 31 August 2017, upon fulfillment of the completion criterion set out in the Subscription Agreement, Infinite Honor obtained the equity interest in relation to 700 ordinary shares of China Talents with a par value of US\$1 each, while the allotment and issuance of the respective shares was made on 24 October, 2017.

On 24 October 2017, China Talents allotted and issued 4,000 and 4,200 ordinary shares with par value of US\$1 each to Talent Prime for the acquisition of entire equity interests of TMC and TMD, respectively. The share capital of TMC and TMD were reclassified to other reserve upon the Reorganisation.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of amount due to a joint venture and a related party, bank borrowings and obligations under finance leases disclosed in notes 19, 22 and 23, respectively, net of cash and cash equivalent, and equity attributable to owners of the Group, comprising issued share capital, share premium, other reserve and retained profits.

The management of the Group reviews the capital structure on a continuous basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendation of the management of the Group, the Group will balance its overall capital structure through the payment of dividends or new share issues as well as the issue of new debts and redemption of existing debts.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

		The Group		The Company As at
	2016 HK\$'000	As at 31 March 2017 HK\$'000	2018 HK\$'000	31 March 2018 HK\$'000
Financial assets Loans and receivables (including cash and cash equivalents)	20,585	36,837	50,305	_
Financial liabilities Amortised cost	10.557	3,714	14,720	11,040
Obligations under finance leases	338	183	431	-

Financial risk management objectives and policies

The Group's financial instruments include trade and retention receivables, amounts due from directors, amounts due from (to) related parties, amount due from (to) a joint venture, amount due from a non-controlling interest, bank balances and cash, trade and other payables, bank borrowings and obligations under finance leases.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances as set out in note 20. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and obligations under finance leases as set out in notes 22 and 23, respectively. The Group currently does not have an interest rate hedging policy. The directors monitor the Group's exposures on an ongoing basis and will consider hedging the interest rate should the need arises.

No sensitivity analysis has been presented as the Group did not expose to significant interest rate risk for the year ended 31 March 2016, 2017 and 2018.

Credit risk

As at 31 March 2016, 2017 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 March 2016, 2017 and 2018 on trade and retention receivables from the Group's 3 major customers amounting to HK\$8,905,000, HK\$17,895,000 and HK\$25,420,000, respectively and accounted for 70%, 67% and 58%, respectively, of the Group's total trade and retention receivables. In the opinion of the management of the Company, the major customers of the Group are certain reputable and sizable companies in the market with good settlement history. The management of the Group considers that the credit risk is limited in this regard. Other than concentration of credit risk on trade and retention receivables, the Group has concentration of credit risk on amounts due from directors, related parties and a joint venture. Amounts due from directors amounted to approximately HK\$2,867,000, HK\$5,148,000 and HK\$1,886,000 as at 31 March 2016, 2017 and 2018, respectively, amounts due from related parties amounted to approximately HK\$3,086,000 as at 31 March 2016 and 2017, respectively and amount due from a joint venture amounted to approximately HK\$794,000 and HK\$3,628,000 as at 31 March 2017 and 2018, respectively. The Group reviews the recoverable amounts of amounts due from directors, related parties and a joint venture at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group is exposed to concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity and interest risk table

The table includes both interest and principal cash flows.

The Group

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 March 2016 Non-derivative financial liabilities							
Trade and other payables	N/A	3,275	_	_	_	3,275	3,275
Amount due to a related party	N/A	114	_	_	-	114	114
Amount due to a joint venture	N/A	5,835	-	_	_	5,835	5,835
Fixed rate bank borrowings Obligations under finance	7.20	1,333	-	-	-	1,333	1,333
leases	8.68	16	32	125	195	368	338
		10,573	32	125	195	10,925	10,895
	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 March 2017 Non-derivative financial liabilities							
Trade and other payables	N/A	2,758	_	_	-	2,758	2,758
Fixed rate bank borrowings Obligations under finance	7.20	956	-	-	-	956	956
leases	7.84	11	23	78	83	195	183
		3,725	23	78	83	3,909	3,897
	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 March 2018 Non-derivative financial liabilities							
Trade and other payables	N/A	11,913	_	_	_	11,913	11,913
Amount due to a related party	N/A	64	-	-	-	64	64
Fixed rate bank borrowings Obligations under finance	6.23	2,743	-	-	-	2,743	2,743
leases	7.07	21	44	179	216	460	431
		14,741	44	179	216	15,180	15,151

The Company

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 March 2018 Non-derivative financial liabilities Amount due to a subsidiary	N/A	11,040				11,040	11,040

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2016, 2017 and 2018, the aggregate undiscounted principal amount of these bank loans amounted to HK\$1,333,000, HK\$956,000 and HK\$2,743,000, respectively. Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$1,429,000, HK\$1,008,000 and HK\$2,945,000, respectively.

	Weighted average effective interest rate %	Less than 1 month HK\$	1 – 3 months <i>HK</i> \$	3 months to 1 year HK\$	1 to 5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
31 March 2016 Fixed rate bank borrowings	7.20	179	357	893			1,429	1,333
	Weighted average effective interest rate %	Less than 1 month HK\$	1 – 3 months <i>HK</i> \$	3 months to 1 year HK\$	1 to 5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
31 March 2017 Fixed rate bank borrowings	7.20	126	252	630			1,008	956
	Weighted average effective interest rate %	Less than 1 month HK\$	1 – 3 months <i>HK</i> \$	3 months to 1 year HK\$	1 to 5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
31 March 2018 Fixed rate bank borrowings	6.23	311	620	1,473	541		2,945	2,743

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of all financial assets and liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

28. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under a non-cancellable operating lease in respect of rented premises which fall due as follow:

	As at 31 March			
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	
Within one year	_	_	311	
In the second year to fifth year inclusive			65	
			376	

Operating lease payments represent fixed rentals payable by the Group for its office premises. The lease is negotiated with fixed lease term for 2 years.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Obligations		Amounts			
under		due to			
finance	Bank	related	Dividend	Accrued	
leases	borrowings	parties	payable	issue costs	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
706	841	2,649	_	_	4,196
(789)	399	(2,649)	_	-	(3,039)
101	93	_	_	_	194
320			<u> </u>		320
338	1,333	_	_	_	1,671
(175)	(534)	_	_	_	(709)
20	157				177
183	956	_	_	-	1,139
(260)	1,491	(1,232)	_	(2,609)	(2,610)
37	296	_	14,000	2,690	17,023
_	_	_	(14,000)	_	(14,000)
471	_	_	_	_	471
		1,232			1,232
431	2,743		<u> </u>	81	3,255
	under finance leases HK\$'0000 706 (789) 101 320 338 (175) 20 183 (260) 37	under finance Bank borrowings leases borrowings HK\$'000 HK\$'000 706 841 (789) 399 101 93 320 - 338 1,333 (175) (534) 20 157 183 956 (260) 1,491 37 296 - - 471 - - - - - 471 - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -	under finance Bank leases due to related parties HK\$'000 HK\$'000 HK\$'000 706 841 2,649 (789) 399 (2,649) 101 93 - 320 - - 338 1,333 - (175) (534) - 20 157 - 183 956 - (260) 1,491 (1,232) 37 296 - - - - 471 - - - - 1,232	under finance Bank leases borrowings parties parties payable HK\$'000 HK\$'000 HK\$'000 HK\$'000 706 841 2,649 - (789) 399 (2,649) - 101 93 - - 320 - - - 20 157 - - 183 956 - - 20 1,491 (1,232) - 37 296 - 14,000 - - - - - - - - - - - - 183 956 - - (260) 1,491 (1,232) - 37 296 - 14,000 - - - - - - - - - - - - - - - -	under finance leases Bank porrowings related parties Dividend payable issue costs Accrued issue costs HK\$'000 HK\$'000 HK\$'000 HK\$'000 HK\$'000 HK\$'000 706 841 2,649 - - - - (789) 399 (2,649) -

30. RETIREMENT BENEFITS PLANS

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

During the year, the Group has made contributions to retirement benefit schemes as follows:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Contribution paid and payable	283	458	629
Less: Capitalised to contract costs	(245)	(393)	(512)
	38	65	117

31. RELATED PARTY DISCLOSURES

(i) Transactions

During the Track Record Period, the Group entered into the following transactions with its related parties:

		Year ended 31 March			
Related parties	Nature of transactions	2016	2017	2018	
		HK\$'000	HK\$'000	HK\$'000	
Kaiser Global	Purchases of raw materials and provision of anti-skid services	114		482	
Talent Global	Sub-contracting fee paid	16,268	23,180	_	
Wang Shen	Imputed interest income	120	129	116	
Mr. Ha	Imputed interest income	106	223	178	
Mr. Ip	Imputed interest income	82	198	118	

As at 31 March 2016, 2017 and 2018, the Controlling Shareholders and Ms. Wang had provided personal guarantees to banks to secure the banking facilities granted to the Group, details of which are disclosed in note 22. In addition, as at 31 March 2016, 2017 and 2018, Mr. Ip had provided personal guarantee to a bank to secure obligations under finance leases amounting to HK\$256,000, HK\$171,000 and HK\$80,000, respectively as disclosed in note 23.

In addition, the Controlling Shareholders provided personal guarantees in favour of certain customers of the Group, which are the main contractors, in respect of repair and maintenance works of the Group in aggregate contract sum of HK\$5,610,000, HK\$18,081,000 and HK\$18,197,000 as at 31 March 2016, 2017 and 2018, respectively. The personal guarantees serve as securities for due performance and observance of the Group's obligations under the contracts and the Controlling Shareholders have agreed to indemnify the relevant customers for any loss or damage suffered as a result of the Group's default under the contracts. As represented by the directors of the Company, these personal guarantees will be released upon the listing of the Company's shares on the Stock Exchange.

During the year ended 31 March 2018, Ms. Wang had settled income tax of HK\$1,232,000 on behalf of TMD and TMD had fully settled the amount due to Ms. Wang in the same year.

(ii) Balances

Details of the balances with related parties are set out in the combined statements of financial position and note 19.

(iii) Compensation of key management personnel

	Year		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Salaries and other allowances	779	1,366	2,319
Retirement benefit scheme contributions	41	72	128
	820	1,438	2,447

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

32. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the company has direct and indirect equity interest in the following subsidiaries:

	Place of		Issued and		Equity attrib			
	incorpora-	Date of	fully paid-up		31 March		date of	
Name of subsidiaries	tion	incorporation	share capital	2016	2017	2018	this report	Principal activities
China Talents (note (i))	BVI	17 February 2017	US\$10,000	N/A	100%	100%	100%	Investment holding
TMD (note (ii))	Hong Kong	29 April 2010	HK\$4,200,000	100%	100%	100%	100%	Civil engineering construction works of road and highway related infrastructure and repair and maintenance works for structures of roads and highways
TMC (note (iii))	Hong Kong	4 April 2014	HK\$2	100%	100%	100%	100%	Repair and maintenance works for structures of roads and highways
Talent Tren (note (iv))	Hong Kong	22 August 2013	HK\$10,000	67%	67%	N/A	N/A	Inactive

The above subsidiaries now comprising the Group are limited liability companies and have adopted 31 March as their financial year end date.

Notes:

- (i) China Talents is directly held by the Company. No statutory financial statements have been prepared for China Talents since its date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.
- (ii) The statutory financial statements of TMD for the year ended 31 March 2016, 2017 and 2018 have been prepared in accordance with HKFRSs issued by HKICPA. The statutory financial statements for years ended 31 March 2016 and 2017 were audited by H. C. Wong & Co. CPA Limited, and the statutory financial statements for year ended 31 March 2018 were audited by us.
- (iii) The statutory audited financial statements of TMC for the years ended 31 March 2016, 2017 and 2018 have been prepared in accordance with HKFRSs issued by HKICPA. The statutory financial statements for years ended 31 March 2016 and 2017 were audited by H. C. Wong & Co. CPA Limited, and the statutory financial statements for year ended 31 March 2018 were audited by us.
- (iv) Talent Tren was deregistered on 14 July 2017. The statutory audited financial statements of Talent Tren for the years ended 31 March 2016 and 2017 have been prepared in accordance with HKFRSs issued by HKICPA and were audited by H.C. Wong & Co. CPA Limited.

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2018, the capital injection due by Talent Prime to China Talents amounting to HK\$3,500,000 was set off against the dividend payable due by TMD to Ms. Wang and amount due from Mr. Ip amounting to HK\$3,500,000 was set off against the dividend payable due by TMD to Mr. Ip, pursuant to two debt assignment deeds dated 30 September 2017.

Pursuant to a confirmatory deed signed on 30 March 2018, amounts due from Kaiser Global and Ms. Wang amounting to HK\$1,102,000 and HK\$2,100,000, respectively were taken up by Mr. Ha. On the same date, amount due from Mr. Ha amounting to HK\$7,000,000 was set off against the dividend payable due by China Talent to Talent Prime pursuant to a deed of dividend assignment dated 30 March 2018.

34. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest free and repayable on demand.

35. RESERVES OF THE COMPANY

	Accumulated	
	losses	Total
	HK\$'000	HK\$'000
As at 23 October 2017 (date of incorporation)	_	_
Loss and total comprehensive expenses for the period	(8,681)	(8,681)
As at 31 March 2018	(8,681)	(8,681)

36. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Track Record Period, the Group has the following subsequent events took place subsequent to the reporting date:

- (a) On 21 September 2018, the Reorganisation as detailed in section headed "History, Corporate Structure and Reorganisation" in this document was duly completed.
- (b) Pursuant to the resolutions of the Company's shareholders passed on 21 September 2018, subject to the share premium account of the Company being credited as a result of the issue of shares pursuant to the Share Offer set out in the section headed "Share Capital" in the Prospectus, the directors of the Company had authorised to allot and issued a total of 359,990,000 shares credited as fully paid at par to the holder(s) of the company's shares on the register of members of the Company, by way of capitalisation of the sum of approximately HK\$3,599,900 standing to the credit of the share premium account of the Company.
- (c) The Company has conditionally approved and adopted the share option scheme ("Share Option Scheme") on 21 September 2018. A summary of its principal terms are set out in "D. Share Option Scheme" in Appendix IV to the Prospectus. As at the reporting date, no option had been granted under the Share Option Scheme.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2018.

The information set forth in this appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 31 March 2018 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this prospectus respectively.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared by the directors of the Company in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effect of the Share Offer on the audited combined net tangible assets of the Group attributable to owners of the Company on 31 March 2018 as if the Share Offer had taken place on 31 March 2018.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed on 31 March 2018 or any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 derived from the combined statement of financial position at that date as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as follows.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 per Share (Note 3) HK\$
Based on the Offer Price of HK\$0.40 per Share	36,820	33,819	70,639	0.15
Based on the Offer Price of HK\$0.55 per Share	36,820	51,098	87,918	0.18

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 are based on the audited combined net assets of the Group attributable to owners of the Company as at 31 March 2018 of approximately HK\$36,820,000 as extracted from the Accountants' Report as set out in Appendix I to this Prospectus.
- 2. The estimated net proceeds from the Share Offer are based on 120,000,000 Offer Shares at the Offer Price of HK\$0.40 and of HK\$0.55 per Offer Share being the low-end and the high-end of the Share Offer price range, after deduction of the listing fees and other related expenses payable by the Company (excluding listing expenses of approximately HK\$8,681,000 which have been charged to profit or loss up to 31 March 2018).
 - The calculation of such estimated net proceeds assumes the Offer Size Adjustment Option is not exercised and does not take into account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or issued or repurchase Shares referred to Appendix IV to the Prospectus.
- 3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 per Share is calculated based on 480,000,000 Shares expected to be in issue assuming that the Capitalisation Issue and the Share Offer had been completed on 31 March 2018. It assumes the Offer Size Adjustment Option is not exercised and does not take into account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to Appendix IV to the Prospectus.
- 4. No adjustment has been made to unaudited pro forma adjusted combined net assets of the Group attributable to owners of the Company as at 31 March 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Grand Talents Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Grand Talents Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 March 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 29 September 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited by way of share offer (the "Share Offer") on the Group's financial position as at 31 March 2018 as if the Share Offer had taken place at 31 March 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 March 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the 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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants Hong Kong 29 September 2018

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 October 2017 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 21 September 2018. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before

the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall

receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra

remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the

facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong

which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly 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 the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to members 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 members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting. The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 23 October 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 the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance

provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 3 November 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or 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

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

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 23 October 2017. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 4 December 2017 and our principal place of business in Hong Kong is at Room 2505, 25th Floor, Billion Plaza, 8 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. CFN Lawyers in association with Broad & Bright of Units 4101-4104, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects 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 was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One fully-paid Share was allotted and issued to the initial subscriber on 23 October 2017, which was subsequently transferred to Talent Prime on the same date.
- (b) Pursuant to the Reorganisation and as a consideration for the acquisition by our Company of the entire issued share capital of China Talents from Talent Prime and Infinite Honor, 9,299 and 700 fully-paid Shares were allotted and issued to Talent Prime and Infinite Honor, respectively.
- (c) On 21 September 2018, our existing Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$10,000,000 by the creation of 962,000,000 additional Shares, each ranking *pari passu* with our Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option, 480,000,000 Shares will be issued fully paid or credited as fully paid, and 520,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "3. Written resolutions of our existing Shareholders passed on 21 September 2018" in this appendix and pursuant to the Share Option Scheme, our Company does

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.

(f) Save as disclosed in the section headed "Share Capital" and "History, Development and Reorganisation" to this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our existing Shareholders passed on 21 September 2018

On 21 September 2018, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix IV to this prospectus;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by the creation of an additional 962,000,000 Shares of HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme and the Offer Size Adjustment Option, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$3,599,900 standing to

the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 359,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 21 September 2018 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions;

- (d) general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding or pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer or pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;

STATUTORY AND GENERAL INFORMATION

- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer or pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the section headed "History, Development and Reorganisation – Reorganisation" in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save for the alterations described in the section headed "History, Development and Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing is GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a specific transaction.

Pursuant to the written resolutions passed by our Shareholders on 21 September 2018, a general unconditional mandate (the "Repurchase Mandate") was granted to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Share Option Scheme and the Offer Size Adjustment Option, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, 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 the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

On the basis of 480,000,000 Shares in issue immediately after completion of the Share Offer, our Directors would be authorised under the Repurchase Mandate to repurchase up to 48,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close 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 pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares 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 core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) an agreement for the subscription of shares in China Talents Group Limited dated 1 August 2017 entered into between (i) Infinite Honor Limited, (ii) China Talents Group Limited, (iii) Ha Chak Hung and (iv) Ip Chu Shing in relation to the subscription of 7% of the issued share capital of China Talents Group Limited at a consideration of HK\$7,000,000;
- (b) a supplemental agreement dated 31 December 2017 entered into between (i) Infinite Honor Limited, (ii) China Talents Group Limited, (iii) Ha Chak Hung and (iv) Ip Chu Shing to supplement and revise certain clauses in the agreement for the subscription of shares in China Talents Group Limited dated 1 August 2017 in (a) above;
- (c) an agreement for the sale and purchase of 2 shares in the issued share capital of Talent Mart Construction Co., Limited (俊標工程有限公司) dated 24 October 2017 entered into between Ha Chak Hung and Ip Chu Shing as vendors and China Talents Group Limited as purchaser, in consideration of which the aggregate of 4,000 shares of China Talents Group Limited, credited as fully-paid, were allotted and issued to Talent Prime Group Limited;
- (d) an agreement for the sale and purchase of 4,200,000 shares in the issued share capital of Talent Mark Development Limited (駿標發展有限公司) dated 24 October 2017 entered into between Ha Chak Hung and Ip Chu Shing as vendors and China Talents Group Limited as purchaser, in consideration of which (i) Ha Chak Hung and Ip Chu Shing transferred the aggregate of 1,000 ordinary shares in the issued share capital of China Talents Group Limited to Talent Prime Group Limited; and (ii) the aggregate of 4,200 shares of China Talents Group Limited, credited as fully-paid, were allotted and issued to Talent Prime Group Limited;

STATUTORY AND GENERAL INFORMATION

- (e) a share swap deed dated 21 September 2018 entered into between (i) Talent Prime Group Limited, (ii) Infinite Honor Limited, (iii) Grand Talents Group Holdings Limited, (iv) Ha Chak Hung, (v) Ip Chu Shing and (vi) Lau Yik Lok in relation to the transfer of the entire issued share capital in China Talents Group Limited to Grand Talents Group Holdings Limited, in consideration of which Grand Talents Group Holdings Limited allotted and issued 9,200 Shares and 700 Shares, credited as fully-paid, to Talent Prime Group Limited and Infinite Honor Limited, respectively;
- (f) the Deed of Non-competition dated 21 September 2018 given by Ha Chak Hung, Ip Chu Shing and Talent Prime Group Limited in favour of Grand Talents Group Holdings Limited (廣駿集團控股有限公司) (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed "Non-competition undertaking" under the section headed "Relationship with Our Controlling Shareholders" in this prospectus;
- (g) the Deed of Indemnity dated 21 September 2018 given by Ha Chak Hung, Ip Chu Shing and Talent Prime Group Limited in favour of Grand Talents Group Holdings Limited (廣駿集團控股有限公司) (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed "E. Other Information 1. Tax and other indemnities" in this appendix; and
- (h) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademark in Hong Kong:

Trademark	Registered Owner	Class	Trademark Number	Duration
廣駿集團	Our Company	37	304290020	29 September 2017 – 28 September 2027

(b) Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain Name	Registrant	Duration
www.grandtalentsgroup.com.hk	Our Company	8 January 2018 to 8 January 2019

Save as disclosed above, there are no other trademarks, domain names or other intellectual property rights which are material in relation to the business of our Group.

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Share Offer or upon the exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the GEM, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the 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, will be as follows:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of Shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Ha (Note 2)	Interest in a controlling corporation	334,800,000	69.75%
Mr. Ip (Note 2)	Interest in a controlling corporation	334,800,000	69.75%
Mr. Lau (Note 3)	Interest in a controlling corporation	25,200,000	5.25%

Notes:

- (1) All interests sated are long positions.
- (2) Each of Mr. Ha and Mr. Ip beneficially owns as to 50% of the issued share capital of Talent Prime. Therefore, Mr. Ha and Mr. Ip are deemed, or taken to be, interested in all the Shares held by Talent Prime for the purpose of the SFO. Mr. Ha, Mr. Ip and Talent Prime are regarded as a group of Controlling Shareholders acting in concert to exercise their voting rights in our Company and they together will be interested in a total of 69.75% of the issued share capital of our Company upon completion of Share Offer. Mr. Ha and Mr. Ip are the directors of Talent Prime.

(3) Mr. Lau beneficially owns the entire issued share capital of Infinite Honor. Therefore, Mr. Lau is deemed to be interested in all the Shares held by Infinite Honor for the purpose of the SFO. Mr. Lau is the sole director of Infinite Honor.

(b) Interests of substantial and other Shareholders in our Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, or pursuant to options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Underlying Shares (Note 1)	Percentage of shareholding
Talent Prime	Beneficial owner	334,800,000	69.75%
Ms. Chung (Note 2)	Interest of spouse	334,800,000	69.75%
Ms. Lee (Note 3)	Interest of spouse	334,800,000	69.75%
Infinite Honor	Beneficial owner	25,200,000	5.25%
Ms. Zhao (Note 4)	Interest of spouse	25,200,000	5.25%

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Chung is the spouse of Mr. Ha. Under the SFO, Ms. Chung is deemed, or taken to be, interested in the same number of Shares in which Mr. Ha is interested.
- (3) Ms. Lee is the spouse of Mr. Ip. Under the SFO, Ms. Lee is deemed to be interested in the same number of Shares in which Mr. Ip is interested.
- (4) Ms. Zhao is the spouse of Mr. Lau. Under the SFO, Ms. Zhao is deemed, or taken to be, interested in the same number of Shares in which Mr. Lau is interested for the purpose of the SFO.

2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the Track Record Period were approximately HK\$360,000, HK360,000 and HK\$868,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2018 will be approximately HK\$360,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors

Mr. Ha	HK\$720,000
Mr. Ip	HK\$720,000

Non-executive Director

Mr. Lau	HK\$120,000
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Independent non-executive Directors

Ms. Tang Shui Man	HK\$120,000
Dr. Fok Wai Sun	HK\$120,000
Mr. Yuk Kai Yao	HK\$120,000

(d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

4. Fees or commission received

Save as disclosed in the section headed "Underwriting" in this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Notes 31 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed "Further information about our Company" in this appendix, and taking no account of Shares which may be taken up under the Share offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer, have an interest or short position in our Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its 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 is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to 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, in each case once our Shares are listed on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed "Qualifications 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;

STATUTORY AND GENERAL INFORMATION

- (e) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 September 2018. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date" 21 September 2018, the date on which the Share Option Scheme

is conditionally adopted by our existing Shareholders by way of

written resolutions

"Board" the board of Directors or a duly authorised committee of the

board of Directors

"Business Day" any day on which the Stock Exchange is open for the business

of dealings in securities

STATUTORY AND GENERAL INFORMATION

"Group" our Company and any entity in which our Company, directly or

indirectly, holds any equity interest

"Scheme Period" the period commencing on the Adoption Date and expiring at

the close of business on the business day immediately preceding

the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 21 September 2018:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before Listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 48,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 48,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed

30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

- i. Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent nonexecutive Director who is the grantee of the option).
- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of our Shares in issue; and
 - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial

Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

- (i) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
 - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the GEM Listing Rules, or quarterly or other interim period (whether or not required under the GEM Listing Rules),
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) 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 our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment of an on one or more of the grounds specified in (n) above, the

option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not.

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("Suspension Date"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for he Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (1);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;

STATUTORY AND GENERAL INFORMATION

- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Division granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (collectively, the "Indemnifiers") have, under a deed of indemnity referred to the paragraph headed "B. Further information about our Business - 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company for itself and for the benefit of its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which our Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which our Share Offer becomes unconditional; (b) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group arising from any act or nonperformance or omission of any member of our Group in relation to events occurred on or before the date on which our Share Offer becomes unconditional; (c) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; and (d) any losses, liabilities, damages, costs, claims and expenses of whatever nature suffered or incurred by any member of our Group in relation to any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of our Company or any other member of our Group for the Track Record Period (if any). The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 30 September 2017 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Director confirmed that as at the Latest Practicable Date, save as disclosed in the paragraph headed "Business – Litigation and potential claims" of this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. 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, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sole Sponsor's fees are HK\$5 million and are payable by our Company.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$39,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Pulsar Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
CFN Lawyers in association with Broad & Bright	Legal adviser as to Hong Kong law
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Ipsos Limited	Market research consultant
Mr. Yuen Siu Kei	Barrister-at-law of Hong Kong

7. Consents of experts

Each of Pulsar Capital Limited, CFN Lawyers in association with Broad & Bright, Deloitte Touche Tohmatsu, Appleby, Ipsos Limited and Mr. Yuen Siu Kei has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letters and/or reports and/or valuation certificates and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained 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. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

10. Material adverse change

Our Directors confirm, save for the matters disclosed in the section headed "Financial Information – Material adverse change" of this prospectus, that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus.

11. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Miscellaneous

- 1. Save as disclosed in this prospectus:
 - (a) Within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of the 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 than cash;

STATUTORY AND GENERAL INFORMATION

- (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
- (iii) no commission has been paid or is payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
- (iv) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
- (v) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (c) none of the experts:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (d) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (e) our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Group has no outstanding convertible debt securities;
- (h) the English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the WHITE, YELLOW and GREEN Application Forms;
- (b) the written consents referred to in the section headed "Statutory and General Information E. Other information 7. Consents of experts" in Appendix IV to this Prospectus; and
- (c) copies of the material contracts referred to in "Statutory and General Information B. Further Information about the Business 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 CFN Lawyers in association with Broad & Bright at Units 4101-4104, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants' Report prepared by Deloitte Touche Tohmatsu in respect of the historical financial information for the three years ended 31 March 2016, 2017 and 2018, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II of this prospectus;
- (d) the audited combined financial statements of the companies comprising our Group for the three years ended 31 March 2016, 2017 and 2018;
- (e) the statement of adjustments made by Deloitte Touche Tohmatsu in arriving at the figures set out in the accountants' report in Appendix I to this prospectus;
- (f) the audited consolidated financial statements of China Talents Group Limited for the three years ended 31 March 2018;
- (g) the management accounts of the Company for the period from 23 October 2017 (date of incorporation) to 31 March 2018;
- (h) the material contracts referred to in the section headed "Statutory and General Information B.
 Further information about the business of our Group 1. Summary of material contracts" in Appendix IV to this prospectus;

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

- (i) the Share Option Scheme;
- (j) the written consents referred to in the section headed "Statutory and General Information E. Other Information Consents of experts" in Appendix IV to this prospectus;
- (k) the service agreements referred to in the section headed "Statutory and General Information C. Further information about substantial shareholders, directors and experts 2. Particulars of service agreements" in Appendix IV to this prospectus;
- (1) the Companies Law;
- (m) the legal opinion issued by CFN Lawyers in association with Broad & Bright, our legal adviser as to Hong Kong Law, in respect to the compliance of applicable laws and regulations in Hong Kong;
- (n) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (o) the market research report issued by Ipsos Limited; and
- (p) the legal opinion issued by Mr. Yuen Siu Kei, a barrister-at-law in Hong Kong advising on certain aspects of a non-compliance matter referred to in the section headed "Business – Noncompliance" in this prospectus.

