

# IBI Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1547



SHARE  
OFFER

Sole Sponsor



Sole Global Coordinator,  
Sole Bookrunner and Sole Lead Manager



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## IMPORTANT

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



### IBI Group Holdings Limited

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

#### SHARE OFFER

Number of Offer Shares	: 200,000,000 Shares
Number of Public Offer Shares	: 20,000,000 Shares (subject to re-allocation)
Number of Placing Shares	: 180,000,000 Shares (subject to re-allocation)
Maximum Offer Price	: HK\$0.45 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1547

#### Sole Sponsor



#### Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



#### Co-Managers (in alphabetical order)



Convoy Investment Services Limited  
康宏証券投資服務有限公司



FRONTPAGE 富比



Opus Capital Limited  
創富融資有限公司



Sirimax Securities Ltd.  
仕高達證券

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or around Thursday, 6 October 2016, and in any event no later than Wednesday, 12 October 2016. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Wednesday, 12 October 2016, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$0.45 per Offer Share and is currently expected to be not less than HK\$0.35 per Offer Share unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ibi.com.hk](http://www.ibi.com.hk) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares".

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in "Risk Factors".

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) shall have the right in certain circumstances, in its sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Friday, 14 October 2016). Further details of the terms of the termination provisions are set out in "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the US Securities Act.

No information on any website forms part of this prospectus.

29 September 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable, our Company will issue a separate announcement.*

*Date and time* <sup>(1)</sup>

2016

Application Lists open <sup>(2)</sup> .....	11:45 a.m. on Wednesday, 5 October
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms and giving <b>electronic application instructions</b> to HKSCC <sup>(3)</sup> .....	12:00 noon on Wednesday, 5 October
Application Lists close <sup>(2)</sup> .....	12:00 noon on Wednesday, 5 October
Expected Price Determination Date <sup>(4)</sup> .....	Thursday, 6 October
Announcement of the final Offer Price, 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 under the Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company's website at <a href="http://www.ibi.com.hk">www.ibi.com.hk</a> on or before .....	Thursday, 13 October
Announcement of results of applications and Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer to be available under a variety of channels as described in "How to Apply for Public Offer Shares — 9. Publication of results" including the Stock Exchange's website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company's website at <a href="http://www.ibi.com.hk">www.ibi.com.hk</a> from .....	Thursday, 13 October
Results of allocations in the Public Offer to be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a "search by ID" function on .....	Thursday, 13 October
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before <sup>(5)</sup> .....	Thursday, 13 October
Despatch of refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before <sup>(6 to 8)</sup> .....	Thursday, 13 October

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Dealing in the Shares on the Stock Exchange expected to  
commence at 9:00 a.m. on . . . . . Friday, 14 October

*Notes:*

1. All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer”.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 October 2016, the Application Lists will not open and close on that day. Further information is set out in “How to Apply for Public Offer Shares — 8. Effect of bad weather on the opening of the Application Lists”.
3. Applicants who apply by giving **electronic application instructions** to HKSCC via CCASS should refer to “How to Apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS”.
4. The Price Determination Date is expected to be on or around Thursday, 6 October 2016, and in any event no later than Wednesday, 12 October 2016. If, for any reason, the Offer Price is not agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by Wednesday, 12 October 2016, the Share Offer (including the Public Offer) will not proceed and will lapse.
5. Share certificates will only become valid certificates of title provided that, no later than 8:00 a.m. on the Listing Date, the Share Offer has become unconditional and none of the Underwriting Agreements has been terminated in accordance with their respective terms.
6. Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all required information may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 13 October 2016. Applicants being individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar must be produced at the time of collection.
7. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all required information may collect their refund cheques (if any) in person but may not elect to collect their share certificates personally, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares are the same as those for applicants who apply on **WHITE** Application Forms.
8. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in “How to Apply for Public Offer Shares — 11. Refund of application monies”.

**Particulars of the structure of the Share Offer, including the conditions thereto, are set out in “Structure and Conditions of the Share Offer”.**

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Public Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to buy any securities in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for the purposes of a public offering and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions 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. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, or any other person or party involved in the Share Offer.*

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## SUMMARY AND HIGHLIGHTS

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*This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide whether to invest in the Offer Shares.*

### OVERVIEW AND OUR BUSINESS MODEL

Established in 1997, we are a building contractor focusing on providing renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau. Our two main types of projects are (i) fitting-out projects; and (ii) alteration and addition projects. Our role as a main contractor entails the overall responsibility for all aspects of project management, coordination and implementation by providing or procuring the necessary materials, labour and expertise required for and controlling the quality aspects of the renovation projects. We engage subcontractors to perform labour intensive or skilled trade works of the projects so that we can focus on our core competencies. Our fitting-out works are, in general, undertaken with respect to the interior spaces of mainly commercial premises which are used for corporate, leisure and hospitality, food and beverage, retail and other purposes. We also provide alteration and addition services for industrial properties and commercial premises (including hotels and office buildings). We have been a registered general building contractor with the Buildings Department since 2006. For the three years ended 31 March 2016, our revenue was approximately HK\$456.8 million, HK\$539.5 million and HK\$661.1 million, respectively.

According to the Industry Report, we ranked second in the renovation service industry in Hong Kong in 2015 in terms of revenue, with a market share of approximately 2.78% <sup>(Note)</sup>.

### OUR PROJECTS AND CONTRACTS

Below are our five largest projects completed in terms of notional contract sum (which refers to the contract sum as stated in the original contract or letter of award) and revenue recognised during the Track Record Period:

- a wholesale conversion project (which involves conversion of use of an existing industrial building to a new use) in Kwun Tong, Kowloon for a property investment company and a Hong Kong subsidiary of a property developer listed on the Stock Exchange which was completed in February 2015, bringing us a revenue of approximately HK\$163.7 million during the Track Record Period;

*Note:* According to the Industry Report, our revenue for the year ended 31 March 2016 derived from projects in Hong Kong was used in generating our ranking and market share in 2015.



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## SUMMARY AND HIGHLIGHTS

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- an office fitting-out project in Kwun Tong, Kowloon for a BVI subsidiary of a multi-national banking corporation headquartered in the U.S. and listed on the New York Stock Exchange which was completed in February 2016, bringing us a revenue of approximately HK\$157.3 million during the Track Record Period;
- a casino fitting-out project in Macau Peninsula, Macau for a construction company and a Hong Kong subsidiary of a construction services provider listed on the Australian Securities Exchange which was completed in August 2015, bringing us a revenue of approximately HK\$84.0 million during the Track Record Period;
- an office fitting-out project in Kwai Hing, New Territories for a Hong Kong subsidiary of a multi-national banking corporation headquartered in the U.S. and listed on the New York Stock Exchange which was completed in October 2013, bringing us a revenue of approximately HK\$73.1 million during the Track Record Period; and
- a fitting-out project for an administration building in Sai Kung, New Territories for a horse racing and betting operator in Hong Kong with over 130 years of operating history which was completed in September 2013, bringing us a revenue of approximately HK\$70.4 million during the Track Record Period.

Our five largest projects on hand in terms of notional contract sum, from 1 April 2016 and up to the Latest Practicable Date, were:

- an alteration and addition project for a container and godown centre in Tsing Yi, New Territories for a Hong Kong subsidiary of a company principally engages in property-related, hotel and restaurant business and listed on the Stock Exchange with a notional contract sum of HK\$215.0 million;
- an office fitting-out project in Kwun Tong, Kowloon for a BVI subsidiary of a multi-national banking corporation headquartered in the U.S. and listed on the New York Stock Exchange with a notional contract sum of approximately HK\$128.8 million;
- an alteration and addition project for a hotel in Wan Chai, Hong Kong Island for a hotel operator with a notional contract sum of approximately HK\$84.0 million;
- a fitting-out project for a communication and technology centre in Sha Tin, New Territories for a horse racing and betting operator in Hong Kong with over 130 years of operating history with a notional contract sum of approximately HK\$63.8 million; and
- a school fitting-out project in North Point, Hong Kong Island for an educational institution in Hong Kong with a notional contract sum of approximately HK\$54.2 million.



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## SUMMARY AND HIGHLIGHTS

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During the Track Record Period, we completed a total of 70 fitting-out projects and seven alteration and addition projects. Among these projects, 27 fitting-out projects and four alteration and addition projects had individual notional contract sum of not less than HK\$10.0 million, respectively. During the Track Record Period, all our fitting-out projects were located in Hong Kong and Macau, whereas all our alteration and addition projects were located in Hong Kong.

The table below shows a breakdown of our revenue, gross profit and gross profit margin by geographical location during the Track Record Period.

	Year ended 31 March											
	2014				2015				2016			
	<u>Revenue</u>	<u>% of revenue</u>	<u>Gross profit</u>	<u>Gross profit margin</u>	<u>Revenue</u>	<u>% of revenue</u>	<u>Gross profit</u>	<u>Gross profit margin</u>	<u>Revenue</u>	<u>% of revenue</u>	<u>Gross profit</u>	<u>Gross profit margin</u>
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Hong Kong	410,287	89.8%	25,839	6.3%	418,911	77.7%	35,442	8.5%	609,751	92.2%	47,564	7.8%
Macau	46,544	10.2%	9,760	21.0%	120,555	22.3%	11,756	9.8%	51,331	7.8%	6,411	12.5%
<b>Total</b>	<u>456,831</u>	<u>100.0%</u>	<u>35,599</u>	7.8%	<u>539,466</u>	<u>100.0%</u>	<u>47,198</u>	8.7%	<u>661,082</u>	<u>100.0%</u>	<u>53,975</u>	8.2%

A substantial portion of our revenue for the Track Record Period was attributable to revenue derived from fitting-out projects. For the Track Record Period, revenue from fitting-out projects accounted for approximately 83.5%, 70.8% and 79.1% of our total revenue, respectively. For the Track Record Period, revenue from alteration and addition projects accounted for approximately 16.5%, 29.2% and 20.9% of our total revenue, respectively. Revenue from our five largest projects accounted for approximately 51.3%, 66.7% and 63.4%, respectively, of our total revenue for the Track Record Period. Revenue from our largest project accounted for approximately 15.8%, 28.5% and 23.8%, respectively, of our total revenue for the Track Record Period.

## SUMMARY AND HIGHLIGHTS

The table below sets forth our revenue, gross profit and gross profit margin by type of projects based on the use of premises during the Track Record Period.

	Year ended 31 March											
	2014				2015				2016			
	Revenue	% of revenue	Gross profit	Gross profit margin	Revenue	% of revenue	Gross profit	Gross profit margin	Revenue	% of revenue	Gross profit	Gross profit margin
Fitting-out projects												
- Corporate	130,649	28.6%	14,875	11.4%	130,485	24.2%	13,252	10.2%	265,898	40.2%	21,648	8.1%
- Leisure and hospitality	114,074	25.0%	9,670	8.5%	125,625	23.3%	14,290	11.4%	37,330	5.7%	7,630	20.4%
- Food and beverage	99,541	21.8%	5,112	5.1%	122,077	22.6%	11,599	9.5%	143,391	21.7%	11,432	8.0%
- Retail and others <sup>(Note)</sup>	37,339	8.1%	5,805	15.5%	3,557	0.7%	80	2.2%	76,012	11.5%	4,895	6.4%
<b>Sub-total</b>	<b>381,603</b>	<b>83.5%</b>	<b>35,462</b>	<b>9.3%</b>	<b>381,744</b>	<b>70.8%</b>	<b>39,221</b>	<b>10.3%</b>	<b>522,631</b>	<b>79.1%</b>	<b>45,605</b>	<b>8.7%</b>
Alteration and addition projects	75,228	16.5%	137	0.2%	157,722	29.2%	7,977	5.1%	138,451	20.9%	8,370	6.0%
<b>Total/Overall</b>	<b>456,831</b>	<b>100.0%</b>	<b>35,599</b>	<b>7.8%</b>	<b>539,466</b>	<b>100.0%</b>	<b>47,198</b>	<b>8.7%</b>	<b>661,082</b>	<b>100.0%</b>	<b>53,975</b>	<b>8.2%</b>

*Note:* Others mainly include fitting-out projects for medical centre and educational premises.

We obtain most of our projects through a tender process. Some customers may send us requests for quotations in seeking our service. Generally, under the contracts with our customers, we receive progress payments and our customers have the right to hold retention money of typically 5.0% of the total contract sum, the first half of which is usually released after practical completion and the remaining portion is usually released after the expiry of the defect liability period. For some contracts, we are required to provide performance bonds issued by a bank or an insurance company backed by cash collateral and/or guarantees in favour of our customers to secure our performance under contracts. We procure materials and services from suppliers of materials and subcontractors after the contract is formally awarded to us.

We derived around 90.0% of our revenue from tender projects during the Track Record Period. For the three years ended 31 March 2016, we submitted 146, 119 and 108 tenders, respectively. For the same periods, our tender success rate was approximately 15.1%, 16.5% and 18.5%, respectively.

As at 31 March 2014, 31 March 2015 and 31 March 2016, our backlog (which represents the total estimated contract value of works (including adjustments and variation orders) which remain to be completed pursuant to the terms of the outstanding contracts as at a certain date and assuming performance in accordance with the terms of the contract) was approximately HK\$232.3 million, HK\$100.1 million and HK\$270.1 million, respectively. For further details of our backlog, see “Business — Our projects — Movement of our backlog”.

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## SUMMARY AND HIGHLIGHTS

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### OUR CUSTOMERS

Our major customers include a number of reputable organisations and commercial enterprises in the private sector in Hong Kong and Macau including a horse racing and betting operator in Hong Kong, multi-national banks, and hotel and casino operators. In line with market practice, our customers award contracts to us on a project-by-project basis and are non-recurring in nature. For the three years ended 31 March 2016, revenue derived from our five largest customers accounted for approximately 69.2%, 84.2% and 84.5% of our total revenue, respectively. For the same period, revenue derived from our largest customer accounted for approximately 35.1%, 28.5% and 28.1% of our total revenue, respectively. See “Business — Our customers” for details.

During the Track Record Period, we derived a majority of our revenue from our five largest customers. Our Directors consider that the reliance is mainly due to the fact that our projects are of considerably different scales. A sizeable project which we undertake would contribute to a significant portion of our revenue in the particular period and would possibly result in the relevant customer becoming one of our largest customers in that particular period. As a result, the mix and identity of our largest customers may vary from year to year. During the Track Record Period, we had a total of 12 five largest customers, amongst which, except for Customer A (which had been one of our five largest customers for each of the three years ended 31 March 2016) and Customer H (which had been one of our five largest customers for each of the two years ended 31 March 2016), no other customer had been one of our five largest customers for more than one financial year. Our Directors further consider this as a common occurrence in our industry and is not specific to our Group. See “Business — Our customers — Sustainability of our business in view of the concentration of our revenue from our five largest customers” for details.

### OUR SUPPLIERS

Our major suppliers include subcontractors and suppliers of materials. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contract with our subcontractors and suppliers of materials. For the three years ended 31 March 2016, purchases attributable to our five largest suppliers accounted for approximately 26.5%, 25.9% and 28.8% of our total purchases, respectively. For the same period, purchases attributable to our largest supplier accounted for approximately 9.4%, 7.0% and 9.5% of our total purchase, respectively. Our five largest suppliers for the Track Record Period are all subcontractors.

Subcontracting works generally include, among other things, common area works, ceiling works, floor works, wall and window works, services and utilities works, installation of decorative and furniture works, as well as demolition, alteration, upgrading, changes in facilities configuration. Our subcontractors are generally required to equip themselves with the necessary construction materials, equipment and machineries to complete the works that we subcontract to them, the cost of which is normally included in their subcontracting fees. For the three years ended 31 March 2016, subcontracting costs accounted for approximately 88.7%, 85.4% and 87.5% of our total cost of sales, respectively. We generally enter into contracts with our subcontractors on a project-by-project basis. We pay our subcontractors progress payments and hold retention money on terms generally in line with the payment terms under the main contract with our customers.

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## SUMMARY AND HIGHLIGHTS

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We also purchase certain materials such as decorative materials, lighting or furniture for our customers if they require. For the three years ended 31 March 2016, our costs of materials accounted for approximately 3.5%, 6.4% and 6.0% of our total cost of sales, respectively. We enter into purchase contracts with our suppliers of materials on an order-by-order basis.

See “Business — Our suppliers” for details.

### INDUSTRY AND MARKET

According to the Industry Report, the renovation service industry in Hong Kong is fragmented and highly competitive. There were 696 registered general building contractors in Hong Kong with the Buildings Department as at the Latest Practicable Date. There is no single market leader dominating the market in general. The renovation service industry in Macau is dominated by certain major contractors, most of which are based in Hong Kong. According to the Industry Report, the industry players in Hong Kong and Macau generally compete with each other on market position, industry reputation, track record, relationship with the project owners, main contractors and industry professionals, such as project managers, as well as financial standing.

### OUR COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths as set out below have driven our growth in revenue and gross profits and distinguish us from our competitors: (i) established reputation and proven track record; (ii) implementation, management and execution expertise in renovation projects; (iii) commitment to the management of risk, quality, health, safety and environmental protection; (iv) stable business relationships with our suppliers; and (v) experienced and efficient management team and key personnel.

### OUR BUSINESS STRATEGIES

We aim to strengthen our market position in the renovation service industry in Hong Kong and Macau through the following strategies: (i) further strengthen our market position in the fitting-out industry in Hong Kong; (ii) further expand our alteration and addition business in Hong Kong; (iii) solidify our market position in the renovation service industry in Macau; (iv) continue to emphasise and maintain standards of project implementation; and (v) adhere to prudent financial management to ensure sustainable growth and capital sufficiency.

### RISK FACTORS

There are certain risks involved in our operations and in connection with the Share Offer, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to Hong Kong; (iv) risks relating to

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## SUMMARY AND HIGHLIGHTS

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Macau; and (v) risks relating to the Share Offer. These risk factors are further described in “Risk Factors”. Set forth below are some of the major risks that could materially and adversely affect us:

- We have relatively thin net profit margin and our financial results are highly sensitive to any unfavourable change in our cost of sales, contract prices and the market conditions in the renovation service industry in Hong Kong and Macau.
- Revenue derived from our five largest customers accounted for a substantial portion of our total revenue. Failure to retain business relationship with them or secure new business may affect our business, financial condition and results of operations.
- Most of our revenue is derived from contracts awarded through competitive tendering and the contracts are not recurring in nature. Our Group’s business depends on its success on project tenders.
- Our business is affected by the business strategies and performance of our major customers in Hong Kong and Macau.
- There is no guarantee that we will receive progress payments or retention money in full in time or at all.
- We determine the tender price based on our estimation of the time and costs involved, which may not be accurate. Any material deviation may lead to cost overrun or even losses in our projects.
- Our backlog may not be a reliable indicator of our future results of operations.

### SHAREHOLDERS’ INFORMATION

Immediately upon completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), Brilliant Blue Sky will be interested in approximately 48.60% of our total issued Shares. Brilliant Blue Sky is beneficially and wholly owned by Mr. Howard, our executive Director, chairman of our Board and the chief executive officer. Brilliant Blue Sky will continue to control 30% or more of our issued share capital and therefore, Brilliant Blue Sky and Mr. Howard will be regarded as the controlling shareholders of our Company under the Listing Rules. For details, see “Relationship with our Controlling Shareholders”.

### KEY FINANCIAL INFORMATION AND OPERATIONAL DATA

The following is a summary of our combined results for the periods indicated, which has been extracted from the Accountant’s Report in Appendix I to this prospectus.

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## SUMMARY AND HIGHLIGHTS

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### Key income statement information

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	456,831	539,466	661,082
Gross profit	35,599	47,198	53,975
Profit before income tax expense	17,126	26,490	33,733
Profit for the year	14,574	22,383	28,269

### Key balance sheet information

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	200	470	374
Current assets	194,174	202,186	303,369
Current liabilities	178,953	164,855	237,673
Net current assets	15,221	37,331	65,696
Total equity	15,421	37,801	66,070

### Selected cash flow items

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	40,857	46,040	(171)
Net cash used in investing activities	(97)	(4,986)	(14,470)
Net cash used in financing activities	(5,471)	(7,143)	(15,986)
Net increase/(decrease) in cash and cash equivalents	35,289	33,911	(30,627)

The net cash used in operating activities of approximately HK\$0.2 million for the year ended 31 March 2016 was primarily due to (i) the payment of start-up costs for certain larger sized fitting-out projects and a large alteration and addition project commenced during the year ended 31 March 2016 while there was a substantial amount of contract work performed on these projects by the financial year end still pending for certification for progress payments as at 31 March 2016; and (ii) the payment of Listing fees of approximately HK\$3.5 million during the year ended 31 March 2016. Our start-up costs generally refer to project insurance fees, costs of materials and subcontracting fees for certain start-up works which are typically paid in advance of payment from our customers.

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## SUMMARY AND HIGHLIGHTS

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We typically submit a payment application to our customer's consultant team summarising the works done on a monthly basis or after the specified milestone is reached. Our customer's consultant team then assesses our payment application and issues an interim payment certificate to us generally within 30 days from the date of our payment application. We then present the interim payment certificate to our customers. Our customers then make payment to us based on the certified amount less any retention money generally within 14 to 60 days from the date of the presentation of the interim payment certificate to our customers. For the Track Record Period, our trade receivable turnover days were approximately 14.2 days, 15.5 days and 18.1 days, respectively, which do not take into account the payments to be received from customers for the value of our contract works performed but yet to be certified.

### Key financial ratios

	As at/Year ended 31 March		
	2014	2015	2016
Net profit margin before interest and tax (%)	4.0	5.0	5.1
Net profit margin (%)	3.2	4.1	4.3
Return on equity (%)	94.5	59.2	42.8
Return on total assets (%)	7.5	11.0	9.3
Interest coverage (times)	15.4	53.8	178.5
Current ratio and quick ratio (times)	1.1	1.2	1.3
Gearing ratio (%) <sup>(Note)</sup>	163.1	47.7	3.1
Debt-to-equity ratio (%)	N/A	N/A	N/A

*Note:* Gearing ratio is calculated based on total debt at the end of the financial year divided by total equity at the end of the financial year and multiplied by 100%. Debt of our Group refers to bank borrowings and amounts due to Shareholders.

### Our net profit margin

For the three years ended 31 March 2016, our net profit margin was approximately 3.2%, 4.1% and 4.3%, respectively. Our net profit margin is relatively thin mainly because our Group focuses on acting as main contractor primarily being responsible for all aspects of project management, coordination and implementation, whereas we engage subcontractors for works which are generally labour intensive or require specific skill sets. Accordingly, subcontracting costs accounted for nearly 90% of our Group's total cost of sales during the Track Record Period. Moreover, one of our Group's major business focuses is office fitting-out projects for our corporate customers, such as multi-national banks and corporations, which normally demand quick and timely delivery of renovation works due to high opportunity costs for leaving high-grade offices unoccupied. Therefore, these projects are normally required to be completed in relatively short duration comparative to their size. In this regard, we have to arrange sufficient resources and are subject to subcontracting costs agreed with subcontractors based on short project duration in order to ensure timely completion of such projects to meet the requirements of our customers, which is believed to have resulted in our relatively thin net profit margin.



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## SUMMARY AND HIGHLIGHTS

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Our Group expects to record a lower net profit margin for the year ending 31 March 2017 as compared to that for the Track Record Period mainly due to: (i) increase in legal and professional expenses so as to meet our post-Listing obligations; and (ii) the one-time incurrence of Listing expenses. If the Listing expenses were added back, our net profit margin would be at a level similar to that during the Track Record Period.

Given that our relatively thin net profit margin is largely due to our business model and business focus, we expect our Group's net profit margin will continue to be at a level similar to that for the Track Record Period. Notwithstanding, we will attempt to improve our net profit margin by taking up a higher volume of larger sized projects to expand our business scale which could help strengthen our bargaining power with subcontractors and suppliers of materials. To remain competitive in the renovation service industry in Hong Kong and Macau, we will continue to focus on our core strengths, expand our scale of business and further strengthen our market position. For our fitting-out business in Hong Kong, we plan to focus on large-size and high-end fitting-out projects for commercial premises. For our alteration and addition business in Hong Kong, we plan to further expand our scale with a particular focus on projects involving wholesale conversion of industrial buildings. We aim to capitalise the market opportunity in Macau by leveraging on our proven track record. We will stay committed to the maintenance of safety standard, quality control and environmental protection to enhance our reputation in renovation service industry. We will continue to closely monitor our capital and cash positions and carefully manage key measures such as project costs, cash flows and other operating expenses so as to focus on projects on a selective and prudent basis which are profitable and of high-profile in nature.

### LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2017 are expected to be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing fees in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$23.8 million (based on the mid-point of the indicative Offer Price range of HK\$0.4 per Offer Share and 200,000,000 Offer Shares). Among the estimated total Listing fees, (i) approximately HK\$7.5 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$16.3 million is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately HK\$0.6 million had been recognised for the year ended 31 March 2016 and the remaining of approximately HK\$15.7 million is expected to be recognised for the year ending 31 March 2017.

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## SUMMARY AND HIGHLIGHTS

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### USE OF PROCEEDS

We estimate that the net proceeds which we will receive from the Share Offer, after deducting underwriting fees and estimated expenses in relation to the Share Offer payable by our Company, will be approximately HK\$56.2 million (based on the mid-point of the indicative Offer Price range of HK\$0.4 per Offer Share). We intend to apply the net proceeds from the Share Offer for the following purposes:

<u>Use of proceeds</u>	<u>Approximate amount of net proceeds or %</u>
For paying the start-up costs of more and larger sized projects in Hong Kong and Macau in order to expedite our organic growth and expand our business scale	HK\$51.0 million or 90.8%
General corporate purposes	HK\$5.2 million or 9.2%

For details of our use of proceeds and the reasons for the Listing and the Share Offer, see “Future Plans and Use of Proceeds”.

### DIVIDEND

The declaration of future dividends will be at the discretion of our Directors and will depend upon our earnings, cash requirements and availability, financial condition, and other factors which our Directors deem relevant. We do not have any dividend policy nor a predetermined dividend distribution ratio. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. For further details, see “Financial Information — Dividend”.

During the year ended 31 March 2014, IBI Group paid dividends of approximately HK\$6.2 million to its then shareholders. A dividend of HK\$20.0 million was declared on 11 June 2016 and paid on 23 September 2016 by our Company. For details, see “Financial Information — Dividend”.

### RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

#### Business and financial updates

Based on the unaudited financial information of our Group, we continued to record growth in our revenue for the four months ended 31 July 2016 as compared to the corresponding period in 2015. Such growth in our revenue was principally driven by the continued revenue contribution by certain larger sized projects in progress at the end of the Track Record Period, such as (i) the fitting-out project for the phases two and three new offices in Kwun Tong, Kowloon of a BVI subsidiary of a multi-national banking corporation headquartered in the U.S., which commenced near the end of the year ended 31 March 2016; (ii) the fitting-out project for a communication and technology centre of a horse racing and betting operator in Hong Kong; (iii) the fitting-out project for the offices in Central

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## SUMMARY AND HIGHLIGHTS

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of an Asia-based financial services group; (iv) a large alteration and addition project for a container and godown centre in the New Territories; (v) the fitting-out project for the Macau offices of a banking corporation and a Hong Kong subsidiary of a multi-national banking and financial services company; (vi) the fitting-out project for the clubhouse of residential premises in Hong Kong for a property developer; and (vii) the fitting-out project for the casino public toilet in Macau of a U.S. subsidiary of a multi-national casino, hotel and resort operator; as well as the revenue generated from our new projects awarded after the Track Record Period.

After the Track Record Period and up to the Latest Practicable Date, we were awarded a total of 10 projects, including (i) nine fitting-out projects with a total notional contract sum of approximately HK\$123.2 million; and (ii) one alteration and addition project with a notional contract sum of approximately HK\$84.0 million, pursuant to one tender submitted during the Track Record Period and nine tenders or quotations submitted after the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we had seven fitting-out projects in progress with a total notional contract sum of approximately HK\$246.2 million and two alteration and addition projects in progress with a total notional contract sum of approximately HK\$299.0 million. For details of our fitting-out projects and alteration and addition projects on hand with an individual notional contract sum of not less than HK\$10.0 million, see “Business — Our projects — Completed projects and projects on hand — Fitting-out projects — Projects on hand” and “Business — Our projects — Completed projects and projects on hand — Alteration and addition projects — Projects on hand”.

After the Track Record Period and up to the Latest Practicable Date, we had (i) expressed our interests to 26 invitations from our customers requesting us to express our interests to tender for certain projects; and (ii) declined 40 invitations to express interests to tender. As at the Latest Practicable Date, there were 10 invitations to which we had expressed our interests to tender (while pending invitations to tender). Our Directors estimate that the total expected notional contract sum of the projects in relation to these 10 invitations would be approximately HK\$1,237.0 million. For further details, see “Future Plans and Use of Proceeds — Future plans — Business outlook”.

After the Track Record Period and up to the Latest Practicable Date, we had (i) submitted 46 tenders or quotations for new projects; and (ii) declined 20 invitations to tender or requests for quotations. As at the Latest Practicable Date, there were 19 projects for which we had yet to receive results after submitting the tenders or quotations with a total expected notional contract sum of approximately HK\$581.5 million. As at the Latest Practicable Date, we were preparing submissions for six tenders for the projects with a total expected notional contract sum of approximately HK\$158.5 million. For further details, see “Future Plans and Use of Proceeds — Future plans — Business outlook”.

A dividend of HK\$20.0 million was declared on 11 June 2016 and paid on 23 September 2016 by our Company.

The impact of the Listing expenses disclosed in “Financial Information — Listing expenses” on our combined statements of profit or loss and other comprehensive income is expected to result in or have resulted in adverse impact on the financial results and position of our Group since 31 March 2016, being the date to which the latest audited financial statements of our Group were prepared.

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## SUMMARY AND HIGHLIGHTS

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### No material adverse change

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospect since 31 March 2016, being the date to which our latest audited financial information was prepared and there had been no event since 31 March 2016 which would materially affect the information shown in the Accountant's Report.

### OFFER STATISTICS

	Based on an Offer Price of	
	HK\$0.35 per Offer Share	HK\$0.45 per Offer Share
Market capitalisation <sup>(Note)</sup>	HK\$280 million	HK\$360 million
Unaudited pro forma adjusted combined net tangible assets per Share <sup>(Note)</sup>	HK\$0.14	HK\$0.17

*Note:* See "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details regarding the assumptions and calculation basis used.

Prospective investors should note that, after taking into consideration a dividend of HK\$20.0 million declared on 11 June 2016 and paid on 23 September 2016 by our Company as disclosed in "—Dividend", the unaudited pro forma adjusted combined net tangible assets per Share would be approximately HK\$0.12 (assuming an Offer Price of HK\$0.35 per Offer Share) and approximately HK\$0.14 (assuming an Offer Price of HK\$0.45 per Offer Share), respectively.

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## DEFINITIONS

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*Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.*

“Accountant’s Report”	the accountant’s report of our Company prepared by the reporting accountant of our Company as set out in Appendix I to this prospectus
“Application Form(s)”	<b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s) or, where the context so requires, any of them
“Application List(s)”	the application lists used in the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted by our Shareholders on 20 September 2016 to take effect upon the Listing Date, as amended from time to time
“B-Shares”	B-class shares of HK\$0.01 each in the share capital of our Company prior to the conversion of which to ordinary Shares on the Conversion Date
“B-Shareholder(s)”	the holder(s) of B-Shares, namely Mr. Lau, Mr. Lui, Mr. Kong and Ms. Chu, all being members of senior management of our Group prior to the conversion of B-Shares on the Conversion Date
“BreadnButter Holdings”	BreadnButter Holdings Limited, a company incorporated in the BVI with limited liability on 14 April 2016, which is wholly and beneficially owned by Mr. Smithers, and a substantial shareholder of our Company
“Brilliant Blue Sky”	Brilliant Blue Sky Limited, a company incorporated in the BVI with limited liability on 14 April 2016, which is wholly and beneficially owned by Mr. Howard, and a Controlling Shareholder
“Board”	the board of Directors
“Building Authority”	the Director of Buildings of Hong Kong
“Buildings Department”	the Buildings Department of the Hong Kong Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“business day(s)”	any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business

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## DEFINITIONS

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“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company. See “Statutory and General Information — A. Further information about our Company — 5. Resolutions in writing of our Shareholders passed on 20 September 2016” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, 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) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provision) Ordinance”	the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Company” or “our Company”	IBI Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 6 April 2016
“Controlling Shareholder(s)”	Mr. Howard and Brilliant Blue Sky, being the controlling shareholders of our Company
“Conversion Date”	19 September 2016, being the date of conversion of all B-Shares to ordinary Shares
“Crowe Horwath”	Crowe Horwath (HK) Consulting & Valuation Limited, a market research consultant, an Independent Third Party
“Deed of Indemnity”	the deed of indemnity dated 20 September 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in “Statutory and General Information — G. Other information — 10. Taxation of holders of our Shares” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 20 September 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in “Relationship with our Controlling Shareholders — Deed of Non-competition”
“Director(s)”	the director(s) of our Company
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department”	the Environmental Protection Department of the Hong Kong Government
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GFA”	gross floor area



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## DEFINITIONS

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“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the content may require) or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their respective predecessors
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Government”	the government of Hong Kong
“IBI Construction”	IBI Construction Limited, a company incorporated in Hong Kong with limited liability on 11 July 2011 and an indirect wholly-owned subsidiary of the our Company
“IBI Contracting”	IBI Contracting Limited, a company incorporated in Hong Kong with limited liability on 11 July 2011 and an indirect wholly-owned subsidiary of our Company
“IBI Corporate Holdings”	IBI Corporate Holdings Limited, a company incorporated in the BVI with limited liability on 14 April 2016 and a direct wholly-owned subsidiary of our Company
“IBI Corporate”	IBI Corporate Limited, a company incorporated in Hong Kong with limited liability on 1 April 2005 and an indirect wholly-owned subsidiary of our Company
“IBI CS”	IBI Company Storage Limited, a company incorporated in the BVI with limited liability on 14 April 2016 and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“IBI Design & Build”	IBI Design and Build Limited, a company incorporated in Hong Kong with limited liability on 11 July 2011 and an indirect wholly-owned subsidiary of our Company
“IBI Design & Construction”	IBI Design and Construction Limited, a company incorporated in Hong Kong with limited liability on 11 July 2011 and an indirect wholly-owned subsidiary of our Company
“IBI Group”	IBI Group Limited, a company incorporated in Hong Kong with limited liability on 9 May 2011 and an indirect wholly-owned subsidiary of our Company
“IBI Holdings”	IBI Holdings Limited, a company incorporated in Hong Kong with limited liability on 9 May 2011 and an indirect wholly-owned subsidiary of our Company
“IBI Hong Kong”	IBI Hong Kong Limited, a company incorporated in Hong Kong with limited liability on 11 July 2011 and an indirect wholly-owned subsidiary of our Company
“IBI Limited”	IBI Limited, a company incorporated in Hong Kong with limited liability on 14 April 1997 and an indirect wholly-owned subsidiary of our Company
“IBI Macau”	IBI Macau Limited (IBI澳門一人有限公司), a company incorporated in Macau with limited liability on 11 April 2005 and an indirect wholly-owned subsidiary of our Company
“IBI Projects”	IBI Projects Limited, a company incorporated in Hong Kong with limited liability on 1 April 2005 and an indirect wholly-owned subsidiary of our Company
“IBI Technology”	IBI Technology Limited, a company incorporated in Hong Kong with limited liability on 16 February 2001 and an indirect wholly-owned subsidiary of our Company
“Independent Third Party(ies)”	any individual(s) or company(ies) who or which is/are not our connected person(s)
“Industry Report”	the industry report provided by Crowe Horwath, the industry consultant, which was commissioned by us in relation to, among other things, the renovation service industry in Hong Kong and Macau

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## DEFINITIONS

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“Issuing Mandate”	the general unconditional mandate given to our Directors by the Shareholders relating to the issue of new Shares. See “Statutory and General Information — A. Further information about our Company — 5. Resolutions in writing of our Shareholders passed on 20 September 2016” in Appendix IV to this prospectus
“Labour Department”	Labour Department of the Hong Kong Government
“Latest Practicable Date”	20 September 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, currently expected to be on or about Friday, 14 October 2016 on which dealings of the Shares on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Government”	the government of Macau
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operating in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company as amended from time to time
“Mr. Haughton”	Mr. Kenneth William Haughton, one of the former shareholders of IBI Limited and IBI Group Limited and the former managing director of IBI Limited who, our Directors confirm, retired in 2013
“Mr. Howard”	Mr. Neil David Howard, an executive Director, chairman of our Board, our chief executive officer and a Controlling Shareholder
“Mr. Kong”	Mr. Wai Fung Kong (江偉鋒), one of the members of senior management of our Group, and one of the B-Shareholders prior to the conversion of B-Shares on the Conversion Date

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## DEFINITIONS

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“Mr. Lau”	Mr. Kwan John Lau (劉群), one of the members of senior management of our Group, and one of the B-Shareholders prior to the conversion of B-Shares on the Conversion Date
“Mr. Lui”	Mr. Siu Hong Lui (雷兆康), one of the members of senior management of our Group, and one of the B-Shareholders prior to the conversion of B-Shares on the Conversion Date
“Mr. Smithers”	Mr. Steven Paul Smithers, an executive Director and a substantial shareholder of our Company
“Ms. Chu”	Ms. Wai Che Rosanna Chu (朱偉芝), one of the members of senior management of our Group, and one of the B-Shareholders prior to the conversion of B-Shares on the Conversion Date
“Offer Price”	the final price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of being not more than HK\$0.45 and expected to be not less than HK\$0.35, at which the Offer Shares are to be subscribed for and issued, or purchased and sold and which is to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, as described in “Structure and Conditions of the Share Offer — Pricing and allocation”
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“Other HK Companies”	IBI Construction, IBI Hong Kong, IBI Design & Build, IBI Contracting, IBI Design & Construction, IBI Technology and IBI Corporate
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares for cash at the Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, details of which are described in “Structure and Conditions of the Share Offer”
“Placing Share(s)”	the 180,000,000 new Shares, initially being offered for subscription by our Company at the Offer Price under the Placing (subject to re-allocation as described in “Structure and Conditions of the Share Offer”)
“Placing Underwriters”	the group of underwriters led by the Sole Global Coordinator, who are expected to enter into the Placing Underwriting Agreement

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## DEFINITIONS

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“Placing Underwriting Agreement”	the conditional placing agreement relating to the Placing and to be entered into by, among others, the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) and our Company on or about the Price Determination Date
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or around Thursday, 6 October 2016 and in any event no later than Wednesday, 12 October 2016, on which the Offer Price is fixed for the purpose of the Share Offer
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in the “Structure and Conditions of the Share Offer” at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 20,000,000 new Shares being offered for subscription by our Company at the Offer Price under the Public Offer (subject to re-allocation as described in “Structure and Conditions of the Share Offer”)
“Public Offer Underwriters”	the underwriters of the Public Offer named in “Underwriting — Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 28 September 2016 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in “Underwriting — Underwriting arrangements and expenses”
“Reorganisation”	the reorganisation of the companies comprising our Group as set out in “History, Reorganisation and Corporate Structure — Reorganisation”

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## DEFINITIONS

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“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders. See “Statutory and General Information — A. Further information about our Company — 5. Resolutions in writing of our Shareholders passed on 20 September 2016” in Appendix IV to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“SGD”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	the holder(s) of the Shares
“Shareholders Agreement”	the shareholders agreement dated 17 May 2016 entered into among Brilliant Blue Sky, Breadnbutter Holdings, the B-Shareholders and our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 20 September 2016, the principal terms of which are summarised in “Statutory and General Information — F. Share Option Scheme” in Appendix IV to this prospectus
“Sole Global Coordinator”, “Sole Bookrunner” or “Sole Lead Manager”	Quam Securities Company Limited, a licensed corporation permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, being the sole bookrunner, sole global coordinator and sole lead manager to the Share Offer
“Sole Sponsor”	Lego Corporate Finance Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Track Record Period”	the three financial years ended 31 March 2016
“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
“WBDB”	Works Branch of the Development Bureau (發展局工務科)
“WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for Public Offer Shares — 3. Applying for the Public Offer Shares”
“YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for Public Offer Shares — 3. Applying for the Public Offer Shares”
“HK\$”, “HKD”, “Hong Kong dollar(s)” or “cent(s)”	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
“MOP”	Macau pataca, the lawful currency of Macau
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“US\$” or “USD” or “US dollars”	United States dollar(s), the lawful currency of the U.S.
“sq.ft.”	square feet
“sq.m.” or “m <sup>2</sup> ”	square metre(s)
“%”	per cent

*In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “subsidiary”, “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

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



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## GLOSSARY

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

“GDP”	gross domestic product
“ISO”	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“ISO 14001”	an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“notional contract sum”	the contract sum as stated in the original contract or letter of award
“OHSAS 18001”	an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“registered general building contractor”	the building contractor whose name is on the register of general building contractors maintained by the Buildings Department from time to time
“wholesale conversion”	a type of alteration and addition works, which involves conversion of use of an existing industrial building to a new use

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements relating to our plans, intentions, beliefs, objectives, expectations and predictions, which are, by their nature, subject to significant risks and uncertainties and may not represent our overall performance for the periods of time to which such statements relate. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the following:

- our operations and business prospects;
- the amount and nature of, potential for and future development of our business;
- future developments, trends and conditions, competition for our business activities and future development in the industry and the geographical markets in which we operate;
- our strategies, plans and objectives and our various measures to implement or achieve such strategies, plans and objectives;
- our ability to meet the changing needs of our customers;
- our dividend distribution plans or dividend policy;
- our financial condition and performance;
- our needs for capital;
- changes in the laws, rules and regulations of the central and local governments in the countries in which we operate and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business, including changes in tax policy and environmental regulations;
- general political and economic conditions in Hong Kong, Macau and overseas;
- the general economic trends and conditions;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to recruit and retain employees and personnel;
- the general economic trends, market and business conditions in the countries or regions in which we have operations;
- change or volatility in prices, volumes, operations, margins, overall market trends, risk management, interest rates and exchange rates;
- other statements in this prospectus that are not historical facts;

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## FORWARD-LOOKING STATEMENTS

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- realisation of the benefits or our future plans and strategies; and
- other factors beyond our control.

When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can” “consider”, “continue”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “predict”, “project”, “propose”, “potential”, “seek”, “shall”, “should”, “will”, “would”, “with a view to” and the negatives of these terminologies and similar expressions, as they relate to us, are intended to identify forward-looking statements. We make these forward-looking statements based on current plans and estimates and they speak only as of the date they were made. These forward-looking statements are not a guarantee of future performance. Actual outcomes could be caused to differ materially from those expressed in any forward-looking statements by, including without limitation, the risk factors set forth under “Risk Factors”.

Although our Directors believe that our current views as reflected in these forward-looking statements based on currently available information are fair and reasonable and that our Directors confirm that these forward-looking statements are made after due and careful consideration, we can give no assurance that these views will prove to be correct. You are strongly cautioned that reliance on any forward-looking statements in this prospectus involves known and unknown risks and uncertainties. The risks and uncertainties in this regard include, but are not limited to, those identified in “Risk Factors”, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us or our Directors that our plans or objectives will be achieved.

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this prospectus.

Subject to the requirements of applicable laws, rules (including the Listing Rules) and regulations, we do not have any and undertake no obligation to update or otherwise revise any forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances contained 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.

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## **FORWARD-LOOKING STATEMENTS**

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

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that the legal and regulatory environment in which our Group operates may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks and uncertainties. The market price of the Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

**We have relatively thin net profit margin and our financial results are highly sensitive to any unfavourable change in our cost of sales, contract prices and the market conditions in the renovation service industry in Hong Kong and Macau.**

We had relatively thin net profit margins during the Track Record Period. For the three years ended 31 March 2016, our net profit margin was approximately 3.2%, 4.1% and 4.3%, respectively. Our contract prices are affected by a variety of factors and vary with the types of projects. Our pricing strategy and policy may not be effective in maintaining our financial performance including our profit margin and profitability or we may fail to adjust our pricing policy to ensure we are responsive timely to market price changes and customers' responses. We may also be subject to escalations in the subcontracting costs, prices of materials and labour costs. We are also subject to loss of major customers and bad debts.

Since all of our revenue was derived in Hong Kong and Macau during the Track Record Period, our financial results are also susceptible to changes in market conditions of the renovation industry in Hong Kong and Macau, which could affect our contract prices, costs and the volume of contracts awarded to us. Other factors which affect the renovation service industry in Hong Kong and Macau include (i) cyclical trends of the economy as a whole; (ii) fluctuations in interest rates; (iii) availability of skilled labour; and (iv) general conditions and development of the Hong Kong and Macau economy.

Any unfavourable changes of the above and the market conditions in the renovation service industry in Hong Kong and Macau could have a material adverse effect on our sales, operation, financial condition, profitability or cash flows and we could record lower net profit margin or even suffer a net loss.

**Revenue derived from our five largest customers accounted for a substantial portion of our total revenue. Failure to retain business relationship with them or secure new business may affect our business, financial condition and results of operations.**

For the three years ended 31 March 2016, revenue derived from our five largest customers accounted for approximately 69.2%, 84.2% and 84.5% of our total revenue, respectively. For the same period, revenue derived from our largest customer accounted for approximately 35.1%, 28.5% and 28.1% of our total revenue, respectively. For the background of our five largest customers, see "Business — Our customers". Amongst the 27 fitting-out projects and four alteration and addition projects we completed during the Track Record Period with an individual notional contract sum of not

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## RISK FACTORS

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less than HK\$10.0 million, 20 fitting-out projects and three alteration and addition projects were completed for our five largest customers, whilst amongst our nine fitting-out projects and two alteration and addition projects on hand from 1 April 2016 and up to the Latest Practicable Date with an individual notional contract sum of not less than HK\$10.0 million, six fitting-out projects and one alteration and addition project were awarded by our five largest customers. We believe that our results will continue to depend, to a large extent, on our ability to continue to secure projects from our existing customers and to expand our customer base. We did not enter into any long-term contract with our five largest customers and our services are provided to them on project-by-project basis. We cannot guarantee that our key customers will provide us with new business, such as inviting us to tender or grant any contracts to us. We cannot assure that we will be able to maintain or improve the relationships with our key customers.

In addition, the stability of operations and business strategy of our key customers which is beyond our control will also affect us. Any material disruption to their operations due to natural or other causes, such as weather, riots, natural disaster, fire or other technical and mechanical problems could adversely affect their ability to pay us. If that occurs, we may not be able to receive payment from them in a timely manner or at all, and our liquidity and financial position will be adversely affected. Such material disruption may also reduce their demand for our services. On the other hand, if our key customers decide to downsize their business, suspend or cease marketing, development or expansion plans, or stop leasing or acquiring properties due to change in market conditions, business strategy or performance, their demand for our services will also fall (see “— Risks relating to our business — Our business is affected by the business strategies and performance of our major customers in Hong Kong and Macau.”).

Furthermore, our customers may choose other service providers in the market or may cease to have any project requiring our services or may reduce the budget for projects which may utilise our services. Any significant decrease in the number or contract value of projects obtained from our key customers could lead to loss of revenue and thus have an adverse effect on our operations and profits. In addition, a sizeable project which we undertake would contribute to a significant portion of our revenue in the particular period and would possibly result in the relevant customer becoming one of our largest customers in that particular period. As a result, the mix and identity of our largest customers may vary from year to year. There is no assurance that we can diversify our customer portfolio by entering into business relationship with new customers, the failure of which may adversely affect our business, financial condition and results of operations.

**Most of our revenue is derived from contracts awarded through competitive tendering and the contracts are not recurring in nature. Our Group’s business depends on its success on project tenders.**

During the Track Record Period, we derived most of our revenue from contracts awarded through a competitive tender process and is not recurring in nature. The growth of our business depends on our tendering successfully. We derived around 90.0% of our revenue from tender projects during the Track Record Period. For the three years ended 31 March 2016, our tender success rate was approximately 15.1%, 16.5% and 18.5%, respectively. Our existing customers are not under the contracted obligation to give us first right for any future projects. Our existing customers are not obliged to enter into contracts with us or engage our services for their subsequent projects and we need to undergo tender process with them again. In addition, there is no assurance that we can be successful in tender process with new customers.

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## RISK FACTORS

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There is no assurance that (i) we are able to meet the pre-requisite requirements for tendering; or (ii) we would be invited to or made aware of the tender process; or (iii) the terms and conditions of the new contracts would be comparable to the existing contracts or commercially acceptable to us; or (iv) our tenders would ultimately be selected by customers. We may agree to contract prices which are lower than our proposed tender price or offer more favourable terms to our customers to enhance our competitiveness in the tender process. If we are unable to reduce our costs to maintain our competitiveness or obtain new contracts continuously, our business, financial condition and results of operations may be materially and adversely affected. In addition, many customers have adopted an evaluation system or set selection criteria to select their service provider, which may cover the standards of management, industrial expertise, financial capability, reputation and regulatory compliance of the candidate, and may change from time to time. There is no assurance that we will be selected in accordance with our customers' evaluation standards, failing which may adversely affect our reputation, business, prospects, financial condition and results of operations.

### **Our business is affected by the business strategies and performance of our major customers in Hong Kong and Macau.**

As we provide renovation services to our customers in Hong Kong and Macau to satisfy their business needs, the business strategies and performance of our customers in such locations would affect our business. The demand for our services may fall if our customers terminate or reduce the size of projects or cut project budget when they downsize their business, suspend or cease marketing, development or expansion plans, or stop leasing or acquiring properties due to change in market conditions, business strategy or performance. They may also only accept highly competitive tender prices or longer progress payment period or impose terms which are commercially less favourable to us in the contracts, which will affect our profitability and cash flow position or cause us to lose business to competitors. If such events occur, our business, results of operations, financial condition and prospects may be materially and adversely affected.

### **There is no guarantee that we will receive progress payments or retention money in full in time or at all.**

We normally receive progress payments with reference to the percentage of works done or the reaching of specified milestones. The customers' consultant team (which typically includes our customers' project managers, quantity surveyors, architects and building service consultants) issues an interim payment certificate certifying the work progress upon our payment application (see "Business — Our operation flow — Project implementation — Progress payment, retention money and certification"). Depending on the terms and conditions of the relevant contract, our customers pay us within 14 to 60 days after the presentation of the interim payment certificate. Our trade receivables were approximately HK\$20.4 million, HK\$25.4 million and HK\$40.1 million as at 31 March 2014, 2015 and 2016, respectively. For the three years ended 31 March 2016, our trade receivable turnover days were 14.2 days, 15.5 days and 18.1 days, respectively. In addition, our customers normally hold retention money of typically 5.0% of the total contract sum, the first half of which is usually released after the issue of the certificate of practical completion and the remaining portion is usually released upon the issue of the certificate of making good defects after the expiry of the defect liability period. The retention money retained by our customers amounted to approximately HK\$38.0 million, HK\$39.6 million and HK\$35.3 million as at 31 March 2014, 2015 and 2016, respectively. There is no

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## RISK FACTORS

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assurance that the financial position of our customers will remain solvent or that our customers will pay us the progress payments or the retention money on time in full or at all in the future. We could be engaged in prolonged negotiation with our customers with respect to the settlement of progress payments or of the final payment from time to time. Any failure by our customers to make any payment on time or in full may have a material adverse effect on our liquidity position. Any failure by our customers to eventually repay the amount to us may have a material adverse effect on our operating results.

**We determine the tender price based on our estimation of the time and costs involved, which may not be accurate. Any material deviation may lead to cost overrun or even losses in our projects.**

We determine the tender price based on our estimated project costs plus a mark-up margin. We have to maintain the competitiveness of our pricing while maximising our profit margin. If we perceive keen competition on a particular project, we may submit a more competitive tender price with a lower mark-up margin, thereby reducing profitability. If the mark-up margin set by us is too low, we may not be able to cover the financial impact of any unfavourable circumstances during project implementation. On the other hand, if we try to cater for the unfavourable circumstances and set a significant mark-up margin, our tender may become uncompetitive. There is no assurance that we will always be able to price our tender competitively, and failing to do so may cause us to lose in the tender, thereby resulting in a decrease in the number of projects awarded to us which in turn would adversely affect our business and results of operations.

Most of our contracts with customers have a fixed and pre-determined contract sum throughout the contract period without any price adjustment mechanisms to accommodate any fluctuation in costs. As there is no assurance that the costs estimated at the beginning of a contract will not be adjusted or overrun during the contract period, we have to bear the risk of cost fluctuations accordingly. Cost overrun may result from inaccurate estimation of costs, increase in cost of subcontracting, labour and materials, additional cost derived from rectification of work defects, adverse weather condition, disputes with parties involved in the project, change in the regulatory requirements and the government policy, inflation and unforeseen problems and circumstances. Changes or disagreements regarding project execution such as design, workmanship and choice of materials, etc. may occur in a project. Any of these may also give rise to delays in completion of works or even unilateral termination of contracts by our customers due to unsatisfactory performance. If we are unable to control our costs within our estimates or recover the extra costs, our profit margin and results of operations may be adversely affected.

**Our backlog may not be a reliable indicator of our future results of operations.**

We have provided in this prospectus contract backlog which represents the total estimated contract value of works which remains to be completed as at a certain date. The contract value of a project represents the amount of contract sum (including adjustments and variation orders) that we expect to receive as at the relevant date under the terms of the contract assuming the contract is performed in accordance with its terms. For further details of our backlog, see “Business — Our projects — Movement of our backlog”. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of our future operating results. Our methodology for determining backlog may not be comparable to the methodology used by other companies in



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## RISK FACTORS

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determining their backlogs. As at 31 March 2016, our backlog was approximately HK\$270.1 million. Such figure is based on the assumption that the relevant contracts will be performed in accordance with their terms. Any unexpected adjustments to and cancellations of these contracts, including any modification, termination or suspension of these contracts by our customers, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on our backlog, and could reduce the amount of our backlog and the revenue and profits that we can actually generate and pose pressure on our working capital. In addition, projects may remain in our backlog for an extended period of time beyond what was initially anticipated due to various factors beyond our control. We cannot guarantee that the contract sums estimated in our backlog will be realised in a timely manner, or at all, or that, even if they are realised, will result in profits. As a result, investors shall not unduly rely on our backlog information or consider it as a reliable indicator of our future profits or results of operations.

**We depend on our subcontractors to implement our business and bear the risks associated with fluctuations in subcontracting costs, substandard performance of subcontractors and stability of their operations.**

*Risk associated with fluctuations in subcontracting costs*

For the three years ended 31 March 2016, our subcontracting costs accounted for approximately 88.7%, 85.4% and 87.5% of our total cost of sales, respectively. Changes in subcontracting costs may be resulted from changes in costs of labour and materials or project-specific requirements. We may also suffer cost overrun or even losses on the relevant contracts, especially in fixed-price contracts with customers, if the amounts that we are required to pay to our subcontractors exceed our estimation due to project delays resulting from weather conditions or other unforeseen circumstances. Moreover, if a subcontractor fails to provide services as required under a contract for any reason, we could be required to source another subcontractor which cause delays or result in higher subcontracting costs than anticipated, which could impact contract profitability.

*Risk associated with substandard performance of subcontractors*

There is no assurance that our subcontractor selection and management system (see “Business — Our suppliers — Subcontractors — Risk management and control measures”) will always be effective in allowing us to monitor the performance of our subcontractors. We rely on the due and timely performance of our subcontractors for the timely delivery of our services. We may not be able to rectify the substandard works delivered by our subcontractors or engage a replacement subcontractor in time or at all. We may also not be able to replace materials of inferior quality procured by our subcontractors in time or at all or unless at extra costs. Any material non-performance, delayed performance or substandard performance of our subcontractors could result in deterioration of the quality of our services or unexpected delays of our scheduled commitment dates or even our ability to complete the projects, which could in turn harm our reputation and potentially expose us to liability and damage claims under contracts with our customers. Moreover, our subcontractors are subject to various laws, rules and regulations, such as laws, rules and regulations in relation to work site safety and illegal workers. There is no assurance that there will not be any violations by our subcontractors, whether substantial or minor in nature, of any laws, rules or regulations. If such violation occurred in the sites for which we are responsible as a main contractor and result in fines, claims or lawsuits,

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## RISK FACTORS

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either associated with personal injuries, death or damages to properties against us or otherwise, our reputation, operations and hence our financial position could be adversely affected. Moreover, pursuant to the Employment Ordinance, (i) a principal contractor is, or (ii) a principal contractor and every superior subcontractor are, jointly and severally, liable to pay any wages that become due to an employee who is employed by a subcontractor for carrying out any work which the subcontractor has contracted to perform. If such wages are not paid by our subcontractors within the period specified in the Employment Ordinance and we are liable to pay the wages in lieu of our subcontractors, our financial condition and results of operations may be adversely affected.

### *Risk associated with stability of their operations*

The stability of operations of our major subcontractors which is beyond our control will also affect us. Any material disruptions to their operations due to natural or other causes, such as weather, riots, natural disaster, fire, breach of internal controls or other technical or mechanical problems could affect our procurement process, such as causing knock-on delays. If that occurs, the timely delivery of services under the contracts with our customers could be adversely affected.

### **Our business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular.**

Our business is project-based. Our fee collection and profit margin depends on various factors, such as the planned capital expenditure of the relevant customers, the terms of the work orders and contracts, the contract period, the efficiency of implementation of the work orders and contract, our ability to control the project cost and progress as expected and the general market conditions, some of which are beyond our control. As a result, our income flow may not be regular and there is no assurance that our estimation of the profitability of a project is accurate or that we can maintain the profitability of a project at a particular level. As such, our fee collection and profit margin may fluctuate and our historical performance may not be indicative of our future performance.

### **Our cash flow may fluctuate due to the payment practice applied to the projects.**

We typically pay the start-up costs, such as project insurance fees, costs of materials and subcontracting fees for certain start-up works, in advance of payment from our customers, while our customers normally make progress payments pursuant to contract with reference to the percentage of works done or the reaching of specified milestones and with limited or no advance payment (see “Business — Our operation flow — Project implementation — Progress payment, retention money and certification”). As such, we normally incur net cash outflows at an early stage of carrying out our works and our cash flows of a particular project will turn from net cash outflows at the early stage into accumulative net cash inflow gradually as the works progress. If we take up a large number of significant projects requiring substantial costs at a particular point of time, we may not have sufficient and timely cash inflow from other projects to cover the position. We rely on prompt settlement of progress payments to meet our payment obligations in relation to costs incurred in our projects. If there is a material mismatch in time between receipt of progress payments from our customers and payment of initial set up costs and we fail to manage the fluctuation of our cash flow, our corresponding cash flow position and in turn our business, financial condition and results of operations could be materially and adversely affected.

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## RISK FACTORS

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**Failure to implement construction and building measures and procedures may lead to breach of laws or occurrence of personal injuries, property damages or fatal accidents.**

If we or our subcontractors fail to follow and adopt all the applicable construction and building measures and procedures, or comply with any laws, rules or regulations particularly in relation to health, safety and environmental matters, regardless of whether the violation is substantial or minor in nature, we may not only expose ourselves as primary obligor to prosecutions by relevant authorities, but also be subject to claims for losses and damages if such violation causes personal injuries/death, damage to properties, fines or other remedial measures. If such events occur, our reputation, operations and hence our financial position will be adversely affected. If there is any change to such laws, rules or regulations applicable to us or our subcontractors, we may incur additional cost in complying with them, which in turn may adversely affect our profitability.

**We rely on our key management personnel and project management staff.**

Our Directors believe that our key management personnel possess the relevant knowledge, experience and skills, especially in their familiarity with our business, relationship with our customers and expertise and therefore essential to us in carrying out our business and future plans. For details of the background of our key management personnel, see “Directors and Senior Management”. We also rely on the expertise of our project management staff in improving the overall project management and execution to a more cost-effective one in order for us to improve profit margin and achieve savings. As such, our Directors consider that our project management staff is crucial to our day-to-day operations and continuing success. Our management personnel or project management staff may leave us or we may terminate their employment at any time according to contract terms. Failing to retain them or find suitable or comparable replacements on a timely basis or at all would cause disruptions to our business and in turn our financial condition and results of operations may be adversely affected. If any of them leaves us or joins a competitor, we may lose our customers, subcontractors, suppliers of materials and know-how.

**We may not be able to maintain our registration as a registered building contractor due to convictions against us, accidents, regulatory actions or changes in compliance standards and government policies.**

IBI Limited is currently registered as a registered general building contractor with the Buildings Department and is required to comply with applicable criteria set by the relevant governmental authorities such as the Buildings Department in order to renew and maintain such registration. Such registration is subject to a fixed validity period, upon expiry of which we will apply for renewal with the relevant governmental authorities. The standards of compliance required in relation thereto may change from time to time without substantial advance notice. We cannot assure that our registration can be maintained or renewed in a timely manner or at all. If we fail to maintain or renew such registration, which in turn would adversely impact our reputation in the industry and our eligibility to tender for works of our customers. If there are any changes in the existing government policies in relation to regulation concerning the construction industry affecting our registration, it may cause an interruption to our operations, which would have a material adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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**We rely on stable labour supply to carry out our works. If we or our subcontractors experience shortage of labour, industrial action or strikes, our operations and financial results may be adversely affected.**

Our projects are labour intensive. For any given project, we need to involve a large number of workers from different trades with different skills. According to the Industry Report, there is a decreasing number of young people entering into the industry we operate in leading to an ageing workforce and an increasing number of retirements in this industry. Material shortage of workers becomes a major threat in the renovation service industry in Hong Kong and Macau in terms of productivity and adequate supply of labour in recent years. We and our subcontractors may incur higher labour costs when competing with other industry participants for skilled labour. Our subcontractors may in turn increase the subcontracting costs charged to us due to cost pressure. Workers from different trades may launch industrial actions or strikes demanding for higher wages, shorter work hours or more benefits. If we or our subcontractors are unable to attract, retain or replace workers and/or there is a significant increase in costs of labour, we may not have sufficient workforce to implement our current or future projects on time and within budget, and our business and results of operations will be adversely affected.

**Our business operations are subject to adverse weather conditions and other construction risks which could affect our ability to meet scheduled commitments. Failing to meet schedule requirements under contract could materially affect our financial performance and reputation or may result in liquidated damages against us.**

Substantially all of our contracts are subject to specific completion schedule requirements with liquidated damages penalty if we fail to meet the schedule. Such liquidated damages are typically levied at an agreed rate of the contract sum for each day of delay caused by us or by our subcontractors. The actual time involved in completing a project undertaken by us may be extended due to bad weather conditions and other acts of god, construction risks such as accidents, fire, suspension of water and electricity supplies, shortage of materials and labour, additional variations to the agreed plans as requested by customers, changing technical needs, disputes with subcontractors or suppliers of materials, change in market conditions and other unforeseen problems, which are beyond our control. In the event that delay is caused by the aforesaid circumstances, we may have to accelerate our work progress afterwards so as to meet the scheduled time for completion, and such acceleration works typically incur additional costs, thereby adversely affecting the profitability of our business. Any delay in a project will affect our billing, revenue, operating cash flows and financial performance. Also, there may be an overlap in time between the completion of the delayed projects and commencement of subsequent projects which may cause pressure on our Group's manpower and financial resources. Further, if there is delay in completion of our projects, we could be subject to the payment of liquidated damages and such may adversely affect the operating results of our business. There is no assurance that we will not be charged with any liquidated damages in the future. Any failure to meet the time requirements in our contracts could lead to significant liquidated damages payable by us, which could reduce or eliminate our profit on such contract, adversely affect our liquidity and cash flows and may have a material adverse effect on our business, financial condition, results of operations, reputation and prospect.

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## RISK FACTORS

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**Our customers may omit certain contract works by variation orders resulting in the total contract sum of that project reduced, which would adversely affect our operations and financial results.**

Our contracts generally have variation order clauses empowering our customers and their consultant team to give instructions to vary the contract works, which we are generally obliged to follow. Such variation orders could relate to addition, modification or omission of the contract works. For any cancellation of contract works, the total contract sum of that project will be deducted according to the schedule of rates under the contracts. If our customer omits or reduces a substantial amount of contract works resulting in a significant reduction of the total contract sum of that particular project, our operations and financial results would be adversely affected.

**Amount recognised as revenue by us may not be the same as the value of works eventually certified by our customers' consultant teams.**

We generally recognise revenue from our projects with reference to the value of work performed based on the percentage of completion. Payments from our customers are in general made according to the payment certificates as certified by our customers' consultant teams. Nevertheless, for any project where payment application has yet to be made by us or where payment application has been made by us but not yet certified as at the relevant period end date, we recognise the estimated revenue with reference to the percentage of completed works confirmed by our in-house quantity surveyor.

Disputes may arise between us and our customers as to whether the works are properly done or whether the specified milestones are satisfactorily achieved for a particular period, and we may not receive the progress payments that we are entitled to for the relevant period within an expected timeframe. As such, revenue recognised by us on the projects may not necessarily be the same amount eventually certified.

**We provide performance bonds backed by cash collateral and/or guarantees in the course of our business operations which could expose our Group to possible loss.**

For some projects, we are required to provide performance bonds issued by a bank or an insurance company backed by cash collateral and/or guarantees in favour of our customers to secure our performance under contracts. As at 31 March 2016, the aggregate value of the performance bonds issued in favour of our customers was approximately HK\$44.1 million. As at 31 March 2014, 31 March 2015 and 31 March 2016, the amount of bank deposits pledged to bank or insurance company to secure the performance bonds issued was nil, approximately HK\$4.5 million and HK\$18.8 million, respectively. Large cash collaterals will adversely affect our liquidity position. If we fail to perform our obligations under contracts, the bank or insurance company will compensate our customers up to the amount of the performance bond on demand. We will then become liable to compensate the bank or insurance company, as applicable, and our collateral could be seized. In such circumstances, our business, financial condition and results of operations will be adversely affected.

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## RISK FACTORS

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**We recorded negative operating cash flow at times during the Track Record Period. If we continue to have negative operating cash flow in the future, our liquidity and financial condition may be materially and adversely affected.**

We recorded negative operating cash flow of approximately HK\$0.2 million for the year ended 31 March 2016, primarily due to (i) the payment of start-up costs, such as costs of materials, subcontracting fees for certain start-up works and project insurance fees, for certain larger sized fitting-out projects and a large alteration and addition project commenced during the year ended 31 March 2016 while there was a substantial amount of contract work performed on these projects by the financial year end still pending for certification for progress payments as at 31 March 2016, as evidenced by the significant balance of our amounts due from customers for contract work on the same day; and (ii) the payment of Listing fees of approximately HK\$3.5 million during the year ended 31 March 2016. See “Financial Information — Liquidity and capital resources — Cash flows — Cash flows in operating activities”.

We typically submit a payment application to our customer’s consultant team summarising the works done on a monthly basis or after the specified milestone is reached. Our customer’s consultant team then assesses our payment application and issues an interim payment certificate to us generally within 30 days from the date of our payment application. We then present the interim payment certificate to our customers. Our customers then make payment to us based on the certified amount less any retention money generally within 14 to 60 days from the date of the presentation of the interim payment certificate to our customers. Our trade receivable turnover days for the Track Record Period were approximately 14.2 days, 15.5 days and 18.1 days, respectively, which do not take into account the payments to be received from customers for the value of our contract works performed but yet to be certified.

We cannot assure you that we will not record negative operating cash flow again in the future. If we resort to external financing facilities to generate additional cash, we will incur additional financing costs. If operating cash flow remains negative in the future and if we cannot obtain adequate funds from other resources on satisfactory terms or at all to fund our operation, our business, prospects, financial condition and results of operations may be materially and adversely affected.

**We are subject to the risks associated with the changes in social, political and economic landscape of Hong Kong and Macau.**

Substantially all of our operations are based in Hong Kong and Macau. Demand for our services is principally connected to the level of construction activities in Hong Kong and Macau and we may therefore be affected by the cyclical nature of the construction sector in these locations. Any major changes to the social, political and economic landscape of Hong Kong and Macau will have a significant impact on our business and future growth, such as in the event of a dramatic change to the autonomy of Hong Kong and Macau under the principle of “one country, two systems”. If there were any material adverse changes in the social, political and economic conditions in Hong Kong and Macau such as (i) change in local government policies, rules or regulations; (ii) riots, natural disasters and other acts of god; (iii) breakdown in the transportation system which may disrupt our material supplies; or (iv) a sudden downturn in the economy or consumer demands, our operations, financial results and profitability may be adversely affected.



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## RISK FACTORS

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**Negative publicity or damage to our reputation may have adverse impact on our business.**

We consider our reputation in the industry a key factor in winning tenders and obtaining contracts from customers. Negative publicity associated with our reputation could result in the loss of customers or lead to increasing difficulty in securing new projects. If any customer who is not satisfied with our work, whether justified or not, raises any complaint regarding us or our work which comes to the attention of the public, our existing or potential customers, business, brand and reputation may be adversely affected, which in turn, adversely affect our growth prospects, results of operations and financial condition.

**We are exposed to claims, litigations or prosecutions.**

We could be involved in disputes, claims or litigations with our customers, subcontractors, suppliers of materials, workers (including our subcontractors' workers) and other parties concerned with the projects from time to time, the nature of which may include (i) delay in completion of works; (ii) contractual disputes as to value of works done; (iii) defects of works or materials; (iv) damage to property and equipment; (v) personal injuries or death resulting from accidents or contracting disease; and (vi) other labour compensation. Our insurance coverage, money retained from our subcontractors or indemnity offered by our subcontractors may not be sufficient for the claims. The outcome of a claim is subject to relevant parties' negotiation, decision of the court or relevant arbitration organisation and it can be unfavourable to us. Should such claims fall outside of the scope and/or limit of our insurance coverage or retention moneys from our subcontractors, our financial position and results of operation may be adversely affected. Regardless of the merits of the aforementioned potential claims, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation in the industry if they were published by the press.

We may also face prosecutions relating to labour safety offences arising from our or our subcontractors' failure to comply with relevant work safety legislations or other health or environmental offences from time to time. We cannot assure that our safety measures and procedures are always sufficient and effective in ensuring our compliance with the safety requirements or that they are strictly adhered to. We do not have full control over the manner in which our subcontractors deliver their services or implement their safety measures. Prosecutions relating to labour safety may cause us to incur material costs or losses and hence materially and adversely affect our business, financial condition and results of operations. Further, if we are convicted for serious offences or a series of convictions within any prescribed period (where applicable), the renewal and/or maintenance of qualifications/licences we currently hold and in turn our business may be adversely affected.

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

For the three years ended 31 March 2016, our revenue was approximately HK\$456.8 million, HK\$539.5 million and HK\$661.1 million, respectively. For the same period, our net profit was approximately HK\$14.6 million, HK\$22.4 million and HK\$28.3 million, respectively. For the same period, our gross profit was approximately HK\$35.6 million, HK\$47.2 million and HK\$54.0 million, respectively, whereas our gross profit margin for the same period was approximately 7.8%, 8.7% and

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## RISK FACTORS

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8.2%, respectively. For discussions on our results of operations, see “Financial Information”. There is an inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, such as deterioration in the market conditions in Hong Kong and Macau, intensification of competition among main contractors, labour shortage, inflation and other unforeseen factors which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects. There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

**Approximately HK\$15.7 million of Listing expenses is expected to be recognised in our combined statements of profit or loss and other comprehensive income for the year ending 31 March 2017 and will materially affect our financial results for the same year.**

Our Directors are of the view that there would be a negative impact on the financial results, including the net profit of our Group, for the year ending 31 March 2017 due to the non-recurring Listing expenses. The total Listing fees are estimated to be approximately HK\$23.8 million (based on the mid-point of the indicative Offer Price range of HK\$0.4 per Offer Share and 200,000,000 Offer Shares). Among the estimated Listing fees, approximately HK\$7.5 million is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$16.3 million is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately HK\$0.6 million had been recognised for the year ended 31 March 2016 and approximately HK\$15.7 million is expected to be recognised for the year ending 31 March 2017. The estimated future Listing expenses to be charged to our combined statements of profit or loss and other comprehensive income are current estimate for reference only and are subject to adjustments based on audit and changes in variables and assumptions. As such, our financial results for the year ending 31 March 2017 are expected to be adversely affected by the non-recurring Listing expenses and may or may not be comparable to the financial performance of our Group in the past.

**Our business strategies and future plans may not be implemented successfully and timely and may need additional funding.**

The successful implementation of our business strategies and plans mentioned in “Future Plans and Use of Proceeds” depends on a number of factors including the availability of funds, competition and our ability to retain and recruit competent employees. Some of these factors are beyond the control of our Group and by nature, are subject to uncertainty. There is no assurance that such business strategies and plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on the profitability and prospects of our Group. In addition, we may come across other opportunities to expand our business and we may need to obtain additional financing to fund our future capital expenses. If we are unable to secure adequate funds for our business needs in a timely manner, we may not be able to fully implement our future plans effectively and successfully.



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## RISK FACTORS

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**We could be unable to detect, deter and prevent all instances of frauds or misconducts by the employees or third parties.**

There is no assurance that instances of fraud or other misconduct committed by our employees or other third parties will not take place in the future. We could be unable to detect, deter and prevent all such instances. Any of such fraud or other misconducts committed at the expense of our Group's interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group's business operations, results of operations, financial condition and prospects.

**Our current insurance coverage may not sufficiently protect us against all the risks we are exposed to and we are subject to increase in insurance premium.**

There can be no assurance that our current insurance will cover all our risks or payments or adequately protect us against all liabilities arising from claims and litigation against our Group. We will have to bear any losses, damages or liabilities in the course of our operations arising from events for which we do not have adequate insurance cover. Further, the insurance premium payable by our Group depends on various factors including the scope and contract sum of the projects undertaken by us and our insurance claim track record. There is no assurance that the insurance premium payable by our Group will not increase or the insurance coverage will not be reduced in the future. If we were held liable for uninsured losses, or the amounts of claims for insured losses exceeding the limits of our insurance coverage, or the insurance premium payable by our Group increases significantly, our business and results of operations may be materially and adversely affected.

**We may face risks associated with the defect liability.**

Our customers normally require a defect liability period during which we are responsible for rectifying all defective works, if any. The defect liability period is typically a period of 12 months after the issue of practical completion certificate. There is no assurance that our subcontractors will be able to satisfy the requests for fixing the defects raised by our customers and/or any other interested parties pursuant to the terms of contracts with our subcontractors. In the event that there is any significant claims raised by our customers or other interested parties against us for defect liability or any default or failure in relation to our works, we may incur significant amount in rectifying such defects or in settling such claims and in such event our profitability would be adversely affected.

**We rely on our information management systems, the breakdown or disruption of which would adversely affect our operations and financial results.**

We rely on our information management systems to oversee our project progress, manage our working schedule, allocate our resources and review our performance, which enables us to review our capacity, trace our project information and assess our project progress in a timely and systematic manner. Any long term breakdown or failure of our information management systems, whether as a result of human error or natural disaster, may materially and adversely affect our operations and financial results.

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## RISK FACTORS

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**Our Company is a holding company and therefore, our Company's ability to pay dividends or make any other distributions depends entirely on distributions received from its subsidiaries, and if there is any restriction against our subsidiaries to make distributions, we may not be able to pay any dividend.**

Our Company is a holding company and our operating results and financial position are entirely dependent on the performance of the members of our Group. Our Company's ability to pay dividends will depend on the level of distributions, if any, received from its subsidiaries. The ability of our subsidiaries to make distributions to us may, from time to time, be restricted as a result of several factors, including foreign exchange limitations (in future if applicable), the requirements of applicable laws, and regulatory, fiscal or other restrictions of the countries in which our Group has operations (in future if applicable).

**There is no assurance that we will pay dividends in the future.**

The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on our earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. See "Financial Information — Dividend". We cannot assure investors when or whether we will pay dividends in the future.

### RISKS RELATING TO OUR INDUSTRY

**Any deterioration in the prevailing market conditions in the renovation service industry in Hong Kong and Macau may affect our performance and financial condition.**

All of our revenue was derived in Hong Kong and Macau during the Track Record Period. The future growth and level of profitability of the renovation service industry in Hong Kong and Macau depends primarily upon the continued availability of construction and building activities, the nature, extent and timing of which will be determined by the interplay of a variety of factors, in particular, the investment of enterprise owners, property developers and hotel operators and the general conditions and prospects of local economy. According to the Industry Report, the demand for hotels and shopping malls and rental level and vacancy rate for office spaces could affect the growth in the renovation service industry in Hong Kong; and the demand for renovation services in relation to hotels could affect the growth in the renovation service industry in Macau. There are also many other factors affecting the renovation service industry in Hong Kong and Macau, including (i) cyclical trends in the economy as a whole; (ii) fluctuations in interest rates; (iii) availability of skilled labour; and (iv) general conditions and development of the Hong Kong and Macau economy. Should there be a recurrence of recession in Hong Kong or Macau, deflation or any changes in the local currency policy, as a result of which the renovation service industry in Hong Kong or Macau start to decline, our operations and profits could be adversely affected.

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## RISK FACTORS

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### **We operate in a fragmented and highly competitive market.**

According to the Industry Report, the renovation service industry in Hong Kong is fragmented and highly competitive. There were 696 registered general building contractors in Hong Kong with the Buildings Department as at the Latest Practicable Date. There is no single market leader dominating the market in general. According to the Industry Report, the industry players generally compete with each other on market position, industry reputation, track record, relationship with the project owners, main contractors and industry professionals, such as project managers, as well as financial standing. Some of our competitors may have more manpower and resources, more qualifications entitling them to provide a wider range of construction services, longer operating histories, stronger financial strength, stronger relationship with customers, more established brand names and market recognition. When we price our tenders or fix contract price with our customers, we may face keen competition and significant downward pricing pressure, thereby reducing our profit margins. If such occurs, our profitability and results of operations will be adversely affected. If we fail to adapt effectively and efficiently to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our potential customer may turn to our competitors and our business may in turn be materially and adversely affected. In addition, new comers may enter the industry with the relevant licence and qualification required. If we fail to compete effectively, our business, financial condition and results of operations will be materially and adversely affected.

### **Escalation of costs including labour, materials, subcontracting and other transaction costs may increase our operating costs and adversely affect our profit margin.**

According to the Industry Report, the labour costs for the renovation service industry in Hong Kong and Macau have kept increasing in recent years. In line with the increase in the average usage of skilled labour in the construction industry, the average wage of the skilled labour in the renovation service industry in respect of Hong Kong has increased from HK\$2,228 per day per worker in 2011 to HK\$3,056 per day per worker in 2014, representing a CAGR of approximately 11.1%; and the same in respect of Macau increased from MOP577 per day per worker in 2011 to MOP749 per day per worker in 2015, representing a CAGR of approximately 6.7%. If there is a significant increase in our labour costs due to increase in the statutory minimum wage (currently at HK\$32.5 per hour in Hong Kong), shortage of labour or other reasons, our cost of sales will increase thereby reducing our profit margin. According to the Industry Report, the costs indices of concrete block and paint, being two types of major materials used in renovation service industry, increased from 2011 to 2015 at a CAGR of approximately 4.4% and 2.9%, respectively. The increases in the labour costs and the costs of materials will result in increases of subcontracting costs. Apart from labour costs, costs of materials and subcontracting costs, other indirect transaction costs covering management, administration, insurance, institutional measures and government requirements borne by main contractors in Hong Kong have seen an increase in recent years, according to the Industry Report. Such costs may continue to increase due to pressure faced by contractors or subcontractors to implement more safety, environmental and health enhancements to keep accident rate low, to improve welfare requirements to ensure well-being of workers, to obtain more certifications to fit customers' tender requirements and to increase overhead costs for administration purpose. Our subcontractors may also pass on the increase in their costs to us by increasing their subcontracting fees.

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## **RISK FACTORS**

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Labour, materials, subcontracting and other transaction costs mentioned above are governed by macro and micro-economic factors, influenced by economic, environment and government policy and legislation and could be further affected by any changes in the technical requirements, procurement methods and bidding procedures adopted in the industry, which are beyond the control of contractors. If these costs continue to rise and we fail to pass on the increase to our customers, our business, financial condition and results of operations will be materially and adversely affected.

**Changes in existing laws, regulations and government policies, including those relating to environmental protection and labour safety, may cause us to incur additional costs.**

Many aspects of our business operations are governed by various laws, regulations and government policies. The licensing requirements for main contractor as well as environmental protection and labour safety requirements may change from time to time. We may not be able to comply with all these requirements in time or at all or we may need to incur substantial costs to be compliant, which will adversely affect our business operations.

### **RISKS RELATING TO HONG KONG**

**The state of economic and political environment in Hong Kong may adversely affect our business.**

Our performance and financial condition is heavily dependent on the state of the economy in Hong Kong. For the three years ended 31 March 2016, approximately 89.8%, 77.7% and 92.2% of our revenue respectively was derived in Hong Kong. In the event that there is a downturn in the economy of Hong Kong, our financial position and results of operations may be materially and adversely affected. In addition, Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since our primary operations are substantially located in Hong Kong, any change of such political arrangements may pose immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and financial condition.

### **RISKS RELATING TO MACAU**

**The recent downturn in the Macau gaming industry may adversely affect our business.**

Our performance and financial condition are dependent on the state of the economy in Macau. For the three years ended 31 March 2016, approximately 10.2%, 22.3% and 7.8% of our revenue, respectively, was derived in Macau. The economy of Macau substantially relies on its gaming industry, which can be affected by various factors, including the number of inbound travellers. Recently, the gaming industry in Macau experienced a slowdown. As a result, the demand for renovation works for hotels, serviced apartments, junkets and casinos had been adversely affected. In the event that the downturn in the economy of Macau continues or takes a turn for the worse, our financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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**Our business could be affected by the limitations of the MOP exchange markets.**

Part of our revenue from Macau is denominated in MOP, the lawful currency of Macau. Although it is currently permitted, we cannot assure you that the MOP will continue to be freely exchangeable into Hong Kong dollars. Also, it is because the currency market for MOP is relatively small and undeveloped, our ability to convert large amounts of MOP into Hong Kong dollars, and vice versa, over a relatively short period may be limited. As a result, we may experience difficulty in converting MOP into Hong Kong dollars, and vice versa.

**RISKS RELATING TO THE SHARE OFFER**

**There has been no prior public market for the Offer Shares. An active trading market may not develop for our Shares and the liquidity and market price of the Offer Shares following the Share Offer may be volatile.**

Prior to the Share Offer, no public market for our Shares existed. The initial Offer Price range issued to the public for our Shares was the result of negotiations between our Company and the Underwriters, and may not be indicative of the market price or our Shares following the completion of the Share Offer. There can be no assurance that an active trading market for our Shares will be developed or sustained following the completion of the Share Offer. In addition, the price and trading volume of our Shares may be volatile. Volatility in the price of our Shares may be caused by variations in our operating results and financial condition, investors' perception of us and our future business plans and prospects, or any other developments in our business or industries or the financial markets.

**The market price of the Offer Shares when trading begins could be lower than the Offer Price.**

The Offer Price of the Offer Shares is expected to be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be a few days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**The sale or availability for sale of substantial amounts of Shares could adversely affect their trading price.**

Sales of substantial amounts of Shares in the public market after completion of the Share Offer or the perception that such sales could occur would adversely affect the market price of our Shares and materially impair our future ability to raise capital through Share offerings. Shares owned by our Controlling Shareholders are subject to lock-up periods. There can be no assurance that they will not dispose of these Shares following expiration of lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

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## **RISK FACTORS**

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**Issuance of additional Shares in the future may cause dilution of your shareholding in our Company.**

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations, any acquisitions, or any expansion of our base of third-party manufacturers. If additional funds are raised by way of the issue of new Shares or equity-linked securities other than on a pro rata basis to existing Shareholders, then the shareholding percentage of our existing Shareholders may be reduced, the earnings per Share and the net tangible asset value per Share would diminish and/or such newly issued securities may have rights, preferences and privileges superior to those of the Shares of our existing Shareholders.

**Investors of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.**

Based on the indicative Offer Price range, the Offer Price is expected to be higher than the net tangible assets per Share prior to the Share Offer. Therefore, the investors of our Shares will experience an immediate dilution in pro forma net tangible assets per Share. In addition, we may issue additional Shares or equity-related securities in the future under our Share Option Scheme or to raise additional funds, finance acquisitions or for other purposes. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

**The ability of Shareholders to bring actions or enforce judgments against us or our Directors may be limited.**

We are organised under the laws of the Cayman Islands. As a result, a Shareholder may not be able to enforce a judgment against us or some or all of our Directors and executive officers outside the Cayman Islands. It may not be possible for a Shareholder to effect service of process upon our Directors and executive officers within the Shareholder's country of residence or to enforce against our Directors and executive officers judgments of courts of the Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a Shareholder will be able to enforce any judgments in civil and commercial matters against our Directors or executive officers who are residents of countries other than those in which judgment is made.

**The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.**

We are a Cayman Islands company and our corporate affairs are governed by the Cayman Companies Law and other laws of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ from those under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. See "Summary of the Constitution of the Company and Cayman Islands Company Law — 3. Cayman Islands Company Law" in Appendix III to this prospectus.

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## RISK FACTORS

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**Investors should read the entire prospectus carefully and should not rely on any information contained in press articles and/or other media coverage regarding us and the Share Offer.**

Prior to the publication of this prospectus, and possibly subsequent to the date of this prospectus but prior to the completion of the Share Offer, there might have been press articles and/or media coverage regarding us and the Share Offer, which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. Such information might not be sourced from or authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other person involved in the Share Offer, hence none of these parties accept any responsibility for the accuracy or completeness of such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press articles and/or other media coverage regarding us and the Share Offer. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any other information.

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

This prospectus includes certain facts, forecasts and other statistics including those relating to Hong Kong and Macau and their respective economies and the industry we operate in that have been extracted from government official sources and publications or other sources. Our Company believes the sources of these statistics and facts are appropriate and we have taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Share Offer and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts. As such, these statistics and facts should not be unduly relied upon. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.



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

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

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about our Group to the public. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

### **UNDERWRITING**

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer. The Share Offer comprises the Placing and the Public Offer and is subject to, in each case, re-allocation described in “Structure and Conditions of the Share Offer”.

The Listing is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Global Coordinator. Subject to the terms of the Public Offer Underwriting Agreement including the determination of the Offer Price by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters. For more information about the Underwriters and the underwriting arrangements, see “Underwriting — Underwriting arrangements and expenses”.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Price is expected to be determined by an agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 6 October 2016, and in any event no later than Wednesday, 12 October 2016. If, for whatever reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are not able to agree on the Offer Price by Wednesday, 12 October 2016, the Share Offer will not proceed and will lapse.



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

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### **SELLING RESTRICTIONS**

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdictions or in any circumstances 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.

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

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

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue.

No part of our Company's share or loan capital is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek the listing of, or permission to deal in, our Company's share or loan capital on any other stock exchange.

### **SHARE REGISTRAR AND STAMP DUTY**

All Shares in issue must be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Our Company's principal register of members will be maintained by our principal share registrar and transfer office, Elian Fiduciary Services (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on our Company's branch register of members in Hong Kong. Only Shares registered in our Company's Hong Kong branch register of members may be traded on the Stock Exchange. Dealings in Shares registered on the register of members kept by our Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty.

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

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in our Shares. It is emphasised that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, supervisors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of holders of our Shares resulting from the subscription, purchase, holding or disposal of our Shares.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedures for applying for the Public Offer Shares are set out in "How to Apply for Public Offer Shares" and in the relevant Application Forms.

### **STRUCTURE OF THE SHARE OFFER**

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

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

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All 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. Investors should seek the advice of their stockbroker or other professional advice for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### DEALINGS AND SETTLEMENT

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 14 October 2016. Shares will be traded in board lots of 8,000 Shares each. The stock code of our Company is 1547.

Dealings in the Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange's teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date. 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. Only certificates for Shares registered in the branch register of members of our Company will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

### EXCHANGE RATE CONVERSION

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

MOP1 : HK\$0.971

No representation is made that any amounts in MOP or HK\$ were or could have been converted at the above rate or at any other rates or at all.

### LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations, natural persons or other entities (including certain of our subsidiaries) mentioned in this prospectus and their English translations, the Chinese names shall prevail.

### ROUNDING

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.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

#### Executive Directors

Neil David HOWARD	No.65 Yan Yee Road Tai Po Tsai Village Sai Kung, Hong Kong	British
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Steven Paul SMITHERS	Flat B, 13/F, Block 1 Royal Sea Crest No. 8 Lung Tang Road Tsing Lung Tau, New Territories Hong Kong	British
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#### Independent non-executive Directors

Richard Gareth WILLIAMS	20B, Sherwood Court 17 Mosque Junction Mid-Levels, Hong Kong	British
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Robert Peter ANDREWS	Flat 2A, Block 1, Villa Carlton 369 Tai Po Road Cheung Sha Wan Kowloon, Hong Kong	British
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Lap Shek Eddie WONG (王立石)	Flat F, 11/F, Block 37 Laguna City, Cha Kwo Ling Kowloon, Hong Kong	Chinese
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See “Directors and Senior Management” for further details of our Directors and senior management.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

#### **Lego Corporate Finance Limited**

*(a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO)*

Room 1601, 16/F, China Building  
29 Queen's Road Central  
Hong Kong

#### Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

#### **Quam Securities Company Limited**

*(a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO)*

18/F-19/F, China Building  
29 Queen's Road Central  
Hong Kong

#### Co-Managers

#### **Ample Orient Capital Limited**

Unit 902 Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

#### **Bonus Eventus Securities Limited**

Room 1707, 17th Floor, Tower II  
Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

#### **Brilliant Norton Securities Company Limited**

Suite 804 8/F Jubilee Centre  
46 Gloucester Road  
Wan Chai  
Hong Kong

#### **China Galaxy International Securities (Hong Kong) Co., Limited**

Units 3501-7 & 3513-14  
35/F, Cosco Tower  
183 Queen's Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Convoy Investment Services Limited**

24C, @Convoy  
169 Electric Road  
North Point  
Hong Kong

**Frontpage Capital Limited**

26/F, Siu On Centre  
188 Lockhart Road  
Wanchai  
Hong Kong

**Opus Capital Limited**

18/F Fung House  
19-20 Connaught Road Central  
Central  
Hong Kong

**Sinomax Securities Limited**

Unit 1601, Far East Finance Centre  
16 Harcourt Road  
Admiralty  
Hong Kong

**Legal advisers to our Company**

As to *Hong Kong law*

**H.M. Chan & Co in association with Taylor Wessing**

21st Floor  
8 Queen's Road Central  
Hong Kong

As to *Cayman Islands law*

**Ogier**

11th Floor, Central Tower  
28 Queen's Road Central  
Hong Kong

As to *Macau law*

**MdME Lawyers**

Avenida da Praia Grande, 409  
China Law Building, 21/F and 23/F A-B  
Macau

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

As to *Hong Kong law*

**Pinsent Masons**

50/F  
Central Plaza  
18 Harbour Road  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Reporting accountant**

**BDO Limited**

*Certified Public Accountants*  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

**Receiving bank**

**Standard Chartered Bank (Hong Kong) Limited**

15/F Standard Chartered Tower  
388 Kwun Tong Road  
Kwun Tong  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	89 Nexus Way, Camana Bay Grand Cayman KY1-9007 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	3/F, Bangkok Bank Building 18 Bonham Strand West, Hong Kong
<b>Company website</b>	<b><u><a href="http://www.ibi.com.hk">www.ibi.com.hk</a></u></b> <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Yun Wah Man (文潤華) AC/S, ACS, MCG Room 2105, 21/F., Office Tower Langham Place 8 Argyle Street Mongkok, Kowloon Hong Kong
<b>Authorised representatives</b>	Neil David Howard No. 65 Yan Yee Road Tai Po Tsai Village Sai Kung, Hong Kong  Steven Paul Smithers Flat B, 13/F, Block 1 Royal Sea Crest No.8 Lung Tang Road Tsing Lung Tau New Territories Hong Kong
<b>Audit committee</b>	Lap Shek Eddie Wong (王立石) ( <i>Chairman</i> ) Richard Gareth Williams Robert Peter Andrews
<b>Remuneration committee</b>	Robert Peter Andrews ( <i>Chairman</i> ) Lap Shek Eddie Wong (王立石) Richard Gareth Williams Neil David Howard Steven Paul Smithers
<b>Nomination committee</b>	Neil David Howard ( <i>Chairman</i> ) Steven Paul Smithers Lap Shek Eddie Wong (王立石) Robert Peter Andrews Richard Gareth Williams



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## CORPORATE INFORMATION

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<b>Cayman Islands principal share registrar and transfer office</b>	Elian Fiduciary Services (Cayman) Limited 89 Nexus Way, Camana Bay Grand Cayman KY1-9007 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong
<b>Compliance adviser</b>	Lego Corporate Finance Limited Room 1601, 16/F, China Building 29 Queen's Road Central Hong Kong
<b>Principal banker</b>	Shanghai Commercial Bank Limited 35/F., Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

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## INDUSTRY OVERVIEW

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*Certain information and statistics set forth in this section and elsewhere in this prospectus have been derived from government and industry sources as well as a commissioned report from Crowe Horwath, an Independent Third Party. We believe that the sources of the information in this section are appropriate sources and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of their affiliates or advisers, nor any other party involved in the Share Offer, and no representation is given as to its accuracy or completeness. Please refer to “Risk Factors — Risks relating to the Share Offer — Statistics and facts in this prospectus have not been independently verified.” for details. Investors are cautioned not to place any undue reliance on the information and statistics set forth in this section and elsewhere in this prospectus.*

### INTRODUCTION

In connection with the Share Offer, we commissioned Crowe Horwath, an independent market research consultant, to assess the industry development trends, market demand and competitive landscape of the renovation service industry in Hong Kong and Macau for the period from 2011 to 2020. Crowe Horwath has produced reports of this and of similar nature for companies in the renovation service industry previously. The agreed fee for the preparation of the Industry Report is HK\$300,000. The payment of such amount was not conditional on our Group’s successful Listing or on the results of the Industry Report. The Industry Report is independent from our influence.

The Industry Report was prepared based on a top-down approach, utilised both primary and secondary research, and attempted to cross check each significant finding with multiple sources. Crowe Horwath’s primary research included site visits, management interviews and consultation with industry experts to verify information from third party sources and data collection and cleansing. Crowe Horwath’s secondary research included Internet research and articles, publications and knowledge based search. Any projections in the Industry Report were done by utilising a mix of both qualitative and quantitative analysis. Whenever applicable, a set of historical data is used as a basis for its projections, and if necessary, adjustments are subsequently made for projection purposes and to ensure data relevance.

The following principal assumptions are adopted in the Industry Report: (a) there will not be substantial incidents such as political, administrative developments or natural disasters causing the economic condition to differ significantly from the forecasts, or adversely affect the renovation service industry, construction industry and real estate market in Hong Kong; and (b) the economy of Hong Kong and Macau will not experience significant and substantial recession in near future.

The parameters considered in the market sizing and forecast model of the Industry Report include: (i) nominal GDP value in Hong Kong and Macau from 2011 to 2020; (ii) gross value of construction works performed by main contractors for private sector in Hong Kong from 2011 to 2020; (iii) gross floor area of offices, retail (including food and beverage (“**F&B**”)) and leisure and hospitality premises and number of hotels in Hong Kong from 2011 to 2020; (iv) gross floor area of commercial premises and office premises completed in Macau from 2011 to 2020; (v) gross value of renovation service industry in Hong Kong and Macau from 2011 to 2020; (vi) average daily wage of skilled labour in renovation service industry in Hong Kong from 2011 to 2020; and (vii) cost indices of major raw materials for renovation service industry in Hong Kong from 2011 to 2020.

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## INDUSTRY OVERVIEW

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Except as otherwise noted, all the information, statistics data and forecasts in this section are extracted or derived from the Industry Report. Our Directors believe the Industry Report is reliable and not misleading as Crowe Horwath is an independent professional research agency with extensive experience in its profession. Our Directors, after making reasonable enquiries, confirm that there is no adverse change to the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information in this section.

### INTRODUCTION TO RENOVATION SERVICE INDUSTRY

Renovation services cover both fitting-out services and alteration and addition works. Fitting-out is the process of making interior space suitable for occupation satisfactory to the needs of customers. Alteration and addition works are not limited to additional construction inside the building, but also include constructing a new extension block or additional floors or cocklofts to an existing building, and adding water tanks, canopies and shelters, structural frames for air-conditioning or other plant, structural supports for advertisement signboards, etc. Alteration and addition works to existing and newly developed buildings generally involve the design of new structural works and/or the checking of structural adequacy of the existing construction. Wholesale conversion is also one type of alteration and addition works, which involves conversion of use of an existing industrial building to a new use.

### OVERVIEW OF RENOVATION SERVICE INDUSTRY IN HONG KONG

The nominal GDP of Hong Kong was in healthy growth throughout 2011 to 2015, reaching a record high of approximately HK\$2,402.5 billion in 2015, representing a CAGR of approximately 5.6%. In line with the growth of GDP and with the support of certain policies of the Hong Kong Government, such as government-initiated Sale Mechanism, the construction industry in Hong Kong has demonstrated a trend of increasing demand in the past few years.

The gross value of construction works performed by main contractors represents the value of construction works completed for private sector sites, public sector sites and location other than construction sites in nominal terms by the main contractors, which include renovation works. During 2011 to 2015, the gross value of construction works performed by main contractors for private sector (which primarily included projects commissioned by private developers) in Hong Kong increased from approximately HK\$35.3 billion to approximately HK\$67.8 billion, representing a CAGR of approximately 17.7%. It is further expected that the gross value of construction works performed by main contractors for private sector will continue to increase from approximately HK\$79.8 billion in 2016 to approximately HK\$153.3 billion in 2020, representing a CAGR of approximately 17.7%, attributable to the Hong Kong Government's long-term land supply strategy and initiatives to promote affordable public housing as well as the expected increase in land supply for non-residential zones.

The supply in floor area of offices in Hong Kong increased from approximately 10.8 million sq.m. in 2011 to approximately 11.3 million sq.m. in 2015, with a CAGR of approximately 1.1%. The supply in floor area of offices in the traditional business areas, Hong Kong Island and Kowloon, increased slightly from approximately 6,246,900 sq.m. in 2011 to approximately 6,300,400 sq.m. in 2015 and from approximately 3,722,900 sq.m. in 2011 to approximately 4,054,200 sq.m. in 2015, respectively. The supply of offices in the New Territories had the highest increasing pace from approximately 762,300 sq.m. in 2011 to approximately 928,600 sq.m. in 2015 in light of the shortage of supply of offices in traditional business areas, due to the advantages of low cost and larger space for development and thereby is attractive to the property developers and investors. The demand for

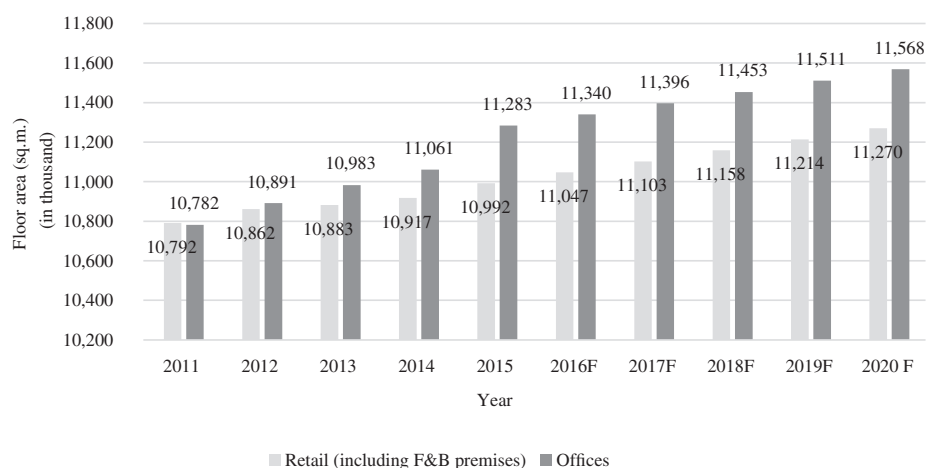
## INDUSTRY OVERVIEW

offices in Hong Kong is expected to be high, due to the prospering professional service industries in Hong Kong. Driven by the Hong Kong Government's efforts to increase the supply of offices through land sales programme and/or redevelopment projects, it is expected that the supply of offices will further increase in the coming years.

According to the Rating and Valuation Department, the supply in floor area of retail (including F&B) premises increased from approximately 10.8 million sq.m. in 2011 to approximately 11.0 million sq.m. in 2015, representing a CAGR of approximately 0.5%. It is further expected that the supply of retail (including F&B) premises in Hong Kong will remain stable in the coming years.

The following chart sets forth the supply of offices and retail (including F&B) premises in Hong Kong from 2011 to 2015 and the forecast for 2016 to 2020.

**Supply of offices and retail (including F&B) premises in Hong Kong (2011-2020F)**



*Source: Rating and Valuation Department; Crowe Horwath*

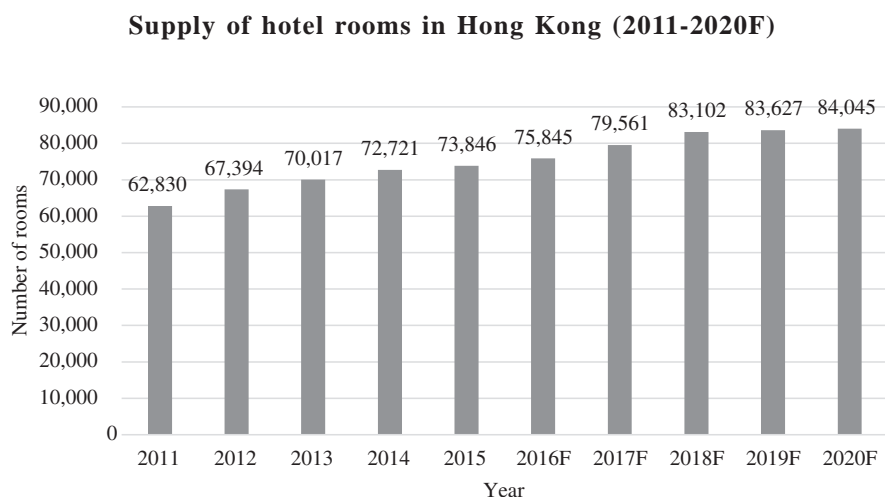
The supply of leisure and hospitality premises in Hong Kong remained stable from 2011 to 2015. According to the Hong Kong Tourism Board (“**HKTB**”), the number of hotels in Hong Kong increased from approximately 190 in 2011 to approximately 253 in 2015, representing a CAGR of approximately 7.4%, whilst the number of hotel rooms increased from approximately 62,830 in 2011 to approximately 73,846 in 2015, representing a CAGR of approximately 4.1%. It is expected that such trend will continue in the coming years. The Hong Kong Government has included three hotel sites within the “hotel belt” of the Kai Tak Runway Precinct in the 2016-2017 Land Sale Programme which is expected to provide an additional of approximately 2,100 hotel rooms, according to the HKTB. In addition, a theme park has started to construct its second hotel. It is believed that the new hotel will contribute to the increasing trend of hotel room supply in the future.

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## INDUSTRY OVERVIEW

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According to the HKTB, there were approximately 257 hotels with approximately 74,000 rooms in Hong Kong by the end of March 2016. The following chart sets forth the supply of hotel rooms in Hong Kong from 2011 to 2015 and the forecast for 2016 to 2020.



Source: HKTB; Crowe Horwath

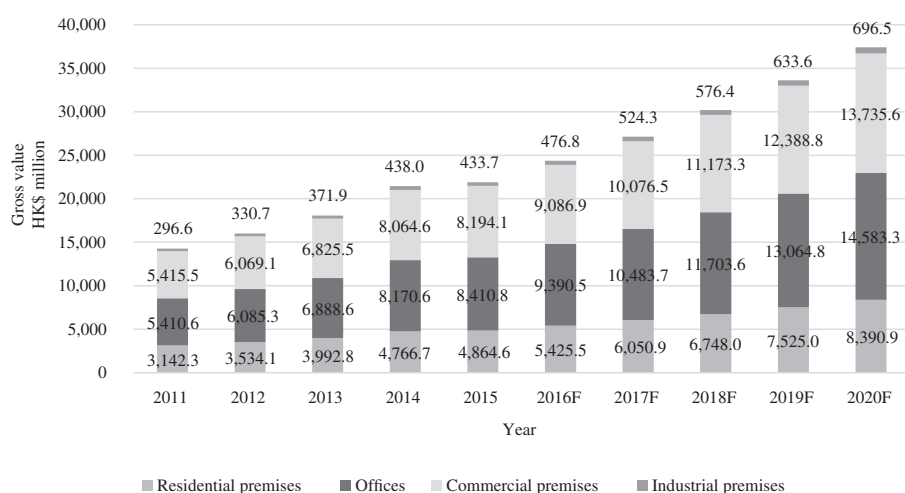
### Market size of renovation service industry in Hong Kong

In 2015, the gross value of the renovation service industry in Hong Kong accounted for approximately 9.8% of the gross value of construction works performed by main contractors in Hong Kong. The total gross value of the renovation service industry in Hong Kong increased from approximately HK\$14.3 billion in 2011 to approximately HK\$21.9 billion in 2015, representing a CAGR of approximately 11.3%. Such increase was preliminarily attributable to the increasing sales transaction records for residential premises, high rental occupation records for offices, commercial and industrial premises and increasing number of newly developed offices in Kowloon East in the past half-decade. It is expected that the total gross value of the renovation service industry in Hong Kong will continue to increase from approximately HK\$24.4 billion in 2016 to approximately HK\$37.4 billion in 2020, representing a CAGR of approximately 11.3%, resulting from the ongoing construction of new offices as well as the increasing demand for flexible workplace by Hong Kong employers.

## INDUSTRY OVERVIEW

The following chart sets forth the gross value of the renovation service industry in Hong Kong by the use of premises from 2011 to 2015 and the forecast for 2016 to 2020.

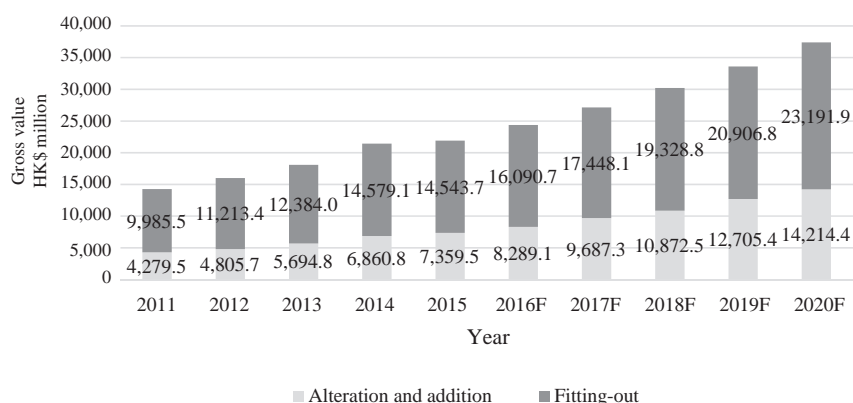
**Gross value of renovation service industry in Hong Kong  
by the use of premises (2011-2020F)**



Source: Census and Statistics Department; Rating and Valuation Department; Crowe Horwath

The following chart sets forth the gross value of the renovation service industry in Hong Kong by type of renovation works from 2011 to 2015 and the forecast for 2016 to 2020.

**Gross value of renovation service industry in Hong Kong  
by type of renovation works (2011-2020F)**



Source: Census and Statistics Department; Rating and Valuation Department; Crowe Horwath

### Average contract fee of renovation projects in Hong Kong

The estimated average contract fee per renovation project in Hong Kong increased from approximately HK\$25.5 million in 2012 to approximately HK\$36.4 million in 2015 at a CAGR of approximately 12.5%, primarily due to the constant increase of costs of raw materials and labour costs in the past years. It is expected that the estimated average fee per renovation project in Hong Kong will increase from approximately HK\$37.3 million in 2016 to approximately HK\$41.1 million in 2020.

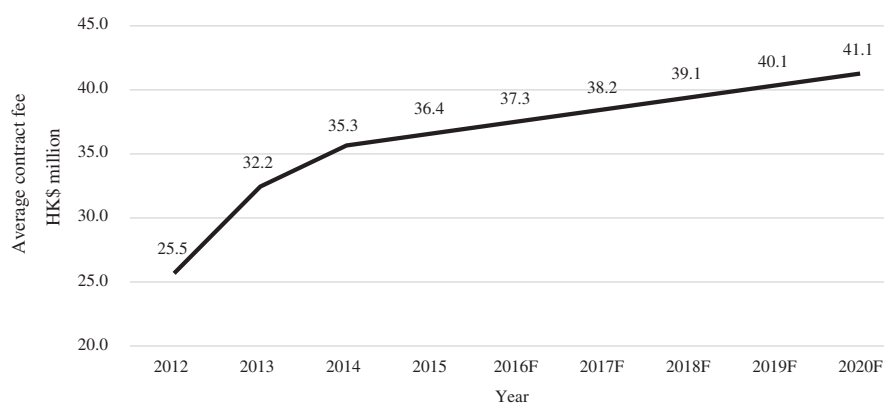
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## INDUSTRY OVERVIEW

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The following chart sets forth the average contract fee of renovation projects in Hong Kong from 2012 to 2015 and the forecast for 2016 to 2020.

### Average contract fee of renovation projects<sup>(Note)</sup> in Hong Kong (2012-2020F)



*Note: Including fitting-out projects and alteration and addition projects for different types of premises in Hong Kong, such as office premises, retail (including F&B) premises, residential premises, leisure and hospitality premises taken by main contractors principally engaged in fitting-out services and/or alteration and addition works. The fitting-out projects mainly include feature flooring, partition, door, wall, ceiling finishes and fixed furniture installation. The alteration and addition projects mainly include new structural works and the checking of structural adequacy. Both the fitting-out projects and alteration and addition projects include such works for household projects and minor works specified under the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong).*

Source: Crowe Horwath

## TREND OF MAJOR COSTS OF RENOVATION SERVICES

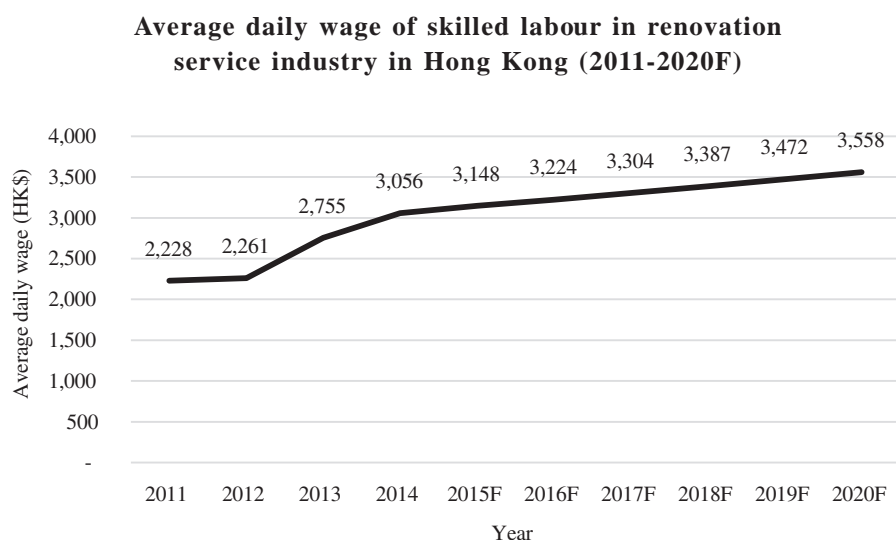
### Average wage of skilled labour in renovation service industry in Hong Kong

Due to the increasing demand for skilled labour (i.e. labour characterised by high education or expertise levels in respective work skills, involving complicated tasks that require specific skill sets, education, training and experience, and may involve abstract thinking) for the upcoming construction projects, such as the construction of Hong Kong-Zhuhai-Macau Bridge, Hong Kong-Shenzhen joint development of the Lok Ma Chau Loop and Kai Tak development, coupled with the implementation of the statutory minimum wage by the Hong Kong Government since 2011, the estimated average wage of skilled labour in the construction industry increased significantly from approximately HK\$1,238 per day per worker in 2011 to approximately HK\$1,683 per day per worker in 2014, representing a CAGR of approximately 10.8%. It is expected that the estimated average wage of skilled labour will further increase from approximately HK\$1,733 per day per worker in 2015 to approximately HK\$1,959 per day per worker in 2020, representing a CAGR of approximately 2.5%.

In line with the increase in the average wage of skilled labour in the construction industry, the estimated average wage of skilled labour in the renovation service industry increased from approximately HK\$2,228 per day per worker in 2011 to approximately HK\$3,056 per day per worker in 2014, representing a CAGR of approximately 11.1%. It is expected that the estimated average wage of skilled labour in the renovation service industry will increase from approximately HK\$3,148 per day per worker in 2015 to approximately HK\$3,558 per day per worker in 2020.

## INDUSTRY OVERVIEW

The following chart sets forth the estimated average daily wage of skilled labour in the renovation service industry in Hong Kong from 2011 to 2014 and the forecast for 2015 to 2020.

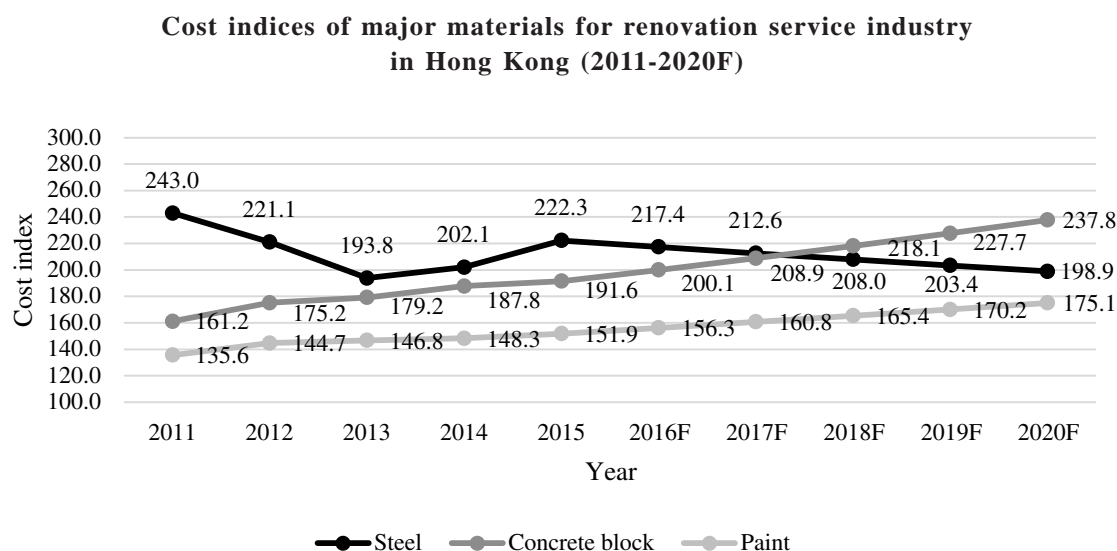


Source: Census and Statistics Department; Crowe Horwath

### Cost of major raw materials for renovation service industry in Hong Kong

The major raw materials for renovation works primarily include steel, concrete block and paint. According to the Census and Statistics Department, the average cost index of steel decreased from approximately 243.0 in 2011 to approximately 222.3 in 2015, representing a CAGR of approximately -2.2%; the average cost index of concrete block and paint increased from approximately 161.2 to approximately 191.6 and approximately 135.6 to approximately 151.9, from 2011 to 2015, respectively, representing a CAGR of approximately 4.4% and approximately 2.9%, respectively.

The following chart sets forth the cost indices of major materials for the renovation service industry in Hong Kong from 2011 to 2015 and the forecast for 2016 to 2020.



Note: According to the Rating and Valuation Department, 2013 was the benchmark year for the relevant cost indices.

Source: Census and Statistics Department; Crowe Horwath



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## INDUSTRY OVERVIEW

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### MARKET GROWTH DRIVERS FOR RENOVATION SERVICE INDUSTRY IN HONG KONG

#### **Demand for hotels and shopping malls**

Being an international financial centre and a renowned shopping paradise, the increased number of overnight tourists and business visitors to Hong Kong had in the past prompted the demand for hotels and shopping malls. According to the HKTB, although the total number of visitors to Hong Kong in the first half of 2016 decreased by approximately 7.4% as compared with corresponding period in 2015, the total number of visitors to Hong Kong remained high. Notwithstanding the decrease in number of visitors from the PRC, the number of short haul markets (including North Asia, South & Southeast Asia, Taiwan and Macau, but excluding the PRC) and long haul markets (including the Americas, Europe, Africa, the Middle East, Australia, New Zealand and the South Pacific) visitors increased by approximately 4.9% and 2.4%, respectively, in the first half of 2016 as compared with the corresponding period in 2015. In addition, the number of short haul markets and long haul markets overnight visitors recorded an increase of approximately 10.1% and 3.0%, respectively, in the first half of 2016 as compared with the corresponding period in 2015. Hong Kong remains an attractive international financial hub and shopping paradise, and is expected to have continued demand for hotel buildings and retail spaces, which in turn will continue to provide business opportunities for the renovation service industry. According to the HKTB, the number of hotels in Hong Kong is expected to increase at a CAGR of approximately 5.0%, from approximately 253 hotels with approximately 73,846 rooms in 2015 to approximately 310 hotels with approximately 84,045 rooms in 2020.

As mentioned in its 2016 Policy Address, the Hong Kong Government's policy in relation to the tourism industry is to pursue balanced, healthy and long-term development, and move towards diversified and high value-added services. The Hong Kong Government's focus is to highlight the unique and diversified experiences that Hong Kong offers and showcase the gourmet culture of Hong Kong. It will also promote cultural and creative tourism, organise mega events, and draw more conventions and exhibitions to Hong Kong. In order to attract visitors from different countries, the HKTB announced a HKTB Work Plan 2016-2017 which has five main focuses, which is in line with the policy of the Hong Kong Government. Such focuses include: (i) concentrating resources on driving high-yield overnight arrivals; (ii) upholding the city's image as a world-class travel destination; (iii) strengthening trade support and generating new business opportunities through partnership; (iv) promoting MICE (meeting, incentives, conferences and exhibitions) and cruise tourism; and (v) strengthening corporate governance. The HKTB's total marketing budget in 2016-17 is estimated to be approximately HK\$333.0 million, of which approximately HK\$154.8 million will be invested in visitor source markets to drive overnight arrivals. It is expected that such favourable government policies in relation to the tourism industry will have positive impact on the retail market in Hong Kong and provide continued support to the demand for hotels and shopping malls in Hong Kong, thereby providing business opportunities for the renovation service industry in Hong Kong.

#### **High rental level and low vacancy rate for offices**

Due to the high rental level of Grade A and Grade B offices in Hong Kong, the low vacancy rate of below 10% in the past five consecutive years and the increase in rental indices in core districts by approximately 7.2% from 2014 to 2015 of such Grade A and Grade B offices, according to the Rating and Valuation Department, there is an increasing tendency for tenants or occupiers to hire

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## INDUSTRY OVERVIEW

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fitting-out and/or alteration and addition experts to rearrange the layout of office space in order to enhance the efficiency in the use of office spaces and to accommodate more employees within the same limited office space. In addition, there is an increasing trend for multi-national companies to create flexible workplace strategy in Hong Kong, aiming to provide a more energetic and inspirational workplace that helps employees connect to companies' culture, such as by subdividing or repartitioning into different size rooms or open area.

### **Demand from fashion and luxury brands to set up flagship stores in central business districts**

Over the past years, there has been demand from fashion and luxury brands to set up flagship stores in central business districts in Hong Kong such as Central, Causeway Bay and Tsim Sha Tsui. Although such trend is affected by the recent deteriorating retail market, the demand from fashion and luxury brands to set up flagship stores still exists. Recent examples include: (i) a global sports and fashion brand has leased a 3-level retail shop as their first brand centre in Central in late 2015; (ii) a global fashion brand has expanded their shops in Causeway Bay in 2015; and (iii) an international fashion brand is going to open its 2-level store in Central in 2016. Flagship stores normally have their respective unique fitting-out and/or alteration and addition requirements. Flagship stores tend to be multi-level stores with extravagant external and interior design and a relatively larger floor area compared to regular stores, which would normally involve more renovation works than other types of retail premises.

### **Favourable government policies**

In recent years, the Hong Kong Government has published several policies which may have favourable effect on the renovation service industry in Hong Kong. In October 2009, the Hong Kong Government announced a set of revitalisation measures to facilitate the redevelopment and wholesale conversion of older industrial premises, with a view to provide more floor space for non-industrial use to meet changing social and economic needs. In its 2015 Policy Address, the Hong Kong Government re-emphasised its plans to revitalise old and dilapidated buildings by implementing Self-initiated Redevelopment Projects and the Demand-led Redevelopment Project Pilot Scheme, and thereby encouraging the citizens to submit alteration and addition work plans to enhance the quality and efficiency of the buildings. In its 2016 Policy Address, the Hong Kong Government stated that it would continue to promote the conversion of Kowloon East into the second core business district. Such conversion includes the progressive implementation of the re-provisioning of the existing government facilities in the "Kowloon Bay Action Area" and the commencement of a study on the "Kwun Tong Action Area", to release more land for commercial use. In addition, the Hong Kong Government implemented the Code of Practice for Mandatory Building Inspection Scheme in 2012, which requires buildings aged over 30 years to be inspected by a Registered Inspector, who will identify repair works to be handled by registered general building contractors. The implementation of such policies will also increase the market demand of renovation services.

### **COMPETITIVE LANDSCAPE OF THE RENOVATION SERVICE INDUSTRY IN HONG KONG**

The renovation service industry in Hong Kong is fragmented and highly competitive. There were 696 registered general building contractors in Hong Kong as at the Latest Practicable Date. There is no single market leader dominating the market in general.

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## INDUSTRY OVERVIEW

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According to the Industry Report, the industry players generally compete with each other on market position, industry reputation, track record, relationship with the project owners, main contractors and industry professionals, such as project managers, as well as financial standing.

### Major competitors

The following table sets forth the ranking of the top five contractors among the 696 registered building contractors in the renovation service industry in Hong Kong in terms of revenue in 2015.

<b>Ranking</b>		<b>Revenue</b> <i>(HK\$ million)</i>	<b>Market share</b> <i>(%)</i>
1	Contractor A <sup>(1)</sup>	1,709.2	7.81
2	Our Group <sup>(2)</sup>	609.8	2.78
3	Contractor B <sup>(3)</sup>	522.9	2.39
4	Contractor C <sup>(3)</sup>	165.0	0.75
5	Contractor D <sup>(3)</sup>	165.0	0.75
	Others	18,731.3	85.52
	Total	<u>21,903.2</u>	<u>100.00</u>

#### Notes:

1. Data was extracted from Contractor A's segment results in its 2015 annual report.
2. According to the Industry Report, our revenue for the year ended 31 March 2016 derived from projects in Hong Kong was used in generating our ranking and market share in 2015.
3. Data was derived from interviews and analysis by Crowe Horwath.

### Entry barriers

#### *Established industry reputation and track record*

Renovation service industry relies to a large extent on reputation and reliability which can be demonstrated by years of good quality of work and timeliness of project delivery, which takes time to build.

#### *Substantial capital investment*

Notwithstanding that the entry barriers to the renovation service industry in Hong Kong are not high, substantial capital investment is often required for making prepayments or deposits to suppliers and subcontractors and for providing performance bonds to the customer. Therefore, it would be difficult for new entrants to start and sustain their business without the necessary financial standing.

#### *Experienced and professional technical personnel*

Technical expertise is an important consideration for the project owner or main contractor in awarding renovation contracts, especially those contracts for sizeable or high-end premises. New entrants without an established reputation will face more difficulties in recruiting and maintaining experienced technical staff.

### Opportunities and threats

#### *Opportunities*

Demand for hotels and shopping malls, high rental level and low vacancy rate for offices, demand from fashion and luxury brands to set up flagship stores in central business districts, as well as favourable government policies will breed further business opportunities for the renovation contractors in Hong Kong.

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## INDUSTRY OVERVIEW

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### *Major threats*

- ***Implementation of the statutory minimum wage:*** the statutory minimum wage in Hong Kong increased from HK\$30 to HK\$32.5 per hour in 2015 after being adjusted from HK\$28 to HK\$30 per hour in 2013. In April 2016, the Hong Kong Government opened a public consultation session to further review the minimum wage rate. Any increase of the minimum wage rate in the future will increase the cost of the potential customers of the renovation services in Hong Kong, in particular, the retailers in Hong Kong, and thereby affecting their desire or capital expenditure for the renovation services.
- ***Decline in retail sales and number of Chinese tourists:*** according to the HKTB, the total number of visitors to Hong Kong in the first half in 2016 decreased by approximately 7.4% as compared with the corresponding period in 2015. Moreover, with the decline in economic growth in China and the policy of “one-trip-per week”, it is expected that less Chinese tourists will come to Hong Kong. Furthermore, according to the Census and Statistics Department, the total retail sales value and average retail sales volume index in the first half of 2016 decreased by approximately 10.6% and 10.1%, respectively, as compared with the corresponding period in 2015. With the decreasing trend in retail sales as well as the decreasing trend of Chinese tourists visiting Hong Kong, retail market is experiencing a decline in value.
- ***Additional cost due to changes in existing laws, regulations and government policies:*** the business operations of renovation contractors are subject to various laws, regulations and government policies. The licensing requirements for main contractors as well as environmental protection and labour safety requirements evolve from time to time and have become more stringent in recent years. Contractors may incur substantial costs to comply with such requirements, which would adversely affect their business operations.
- ***Decreasing number of young people entering into the renovation service industry:*** renovation projects are labour intensive and the aging workforce with the increasing number of retirements in the renovation service industry has become a major threat in the renovation service industry. Workers from different trades may launch industrial actions or strikes demanding for higher wages, shorter work hours or more benefits.

### OVERVIEW OF THE RENOVATION SERVICE INDUSTRY IN MACAU

The nominal GDP in Macau grew steadily throughout 2011 to 2014 and ended at a peak of approximately MOP443.5 billion, representing a CAGR of approximately 14.6%. The nominal GDP in Macau experienced a sudden decrease from approximately MOP443.5 billion in 2014 to approximately MOP368.7 billion in 2015, due to factors including the downturn of its gaming industry and the slowdown of PRC’s economy growth.

The Macau Government has revealed that it would input more fiscal surplus to support the economy. The continuous quantitative easing of Europe and low unemployment rate of the United States also give positive signals for the Macau economy. Therefore, it is expected that Macau’s GDP will continue to growth at rates ranging from approximately 5.0% to approximately 7.0% throughout 2016 to 2020 and Macau’s GDP is expected to reach approximately MOP493.0 billion in 2020.

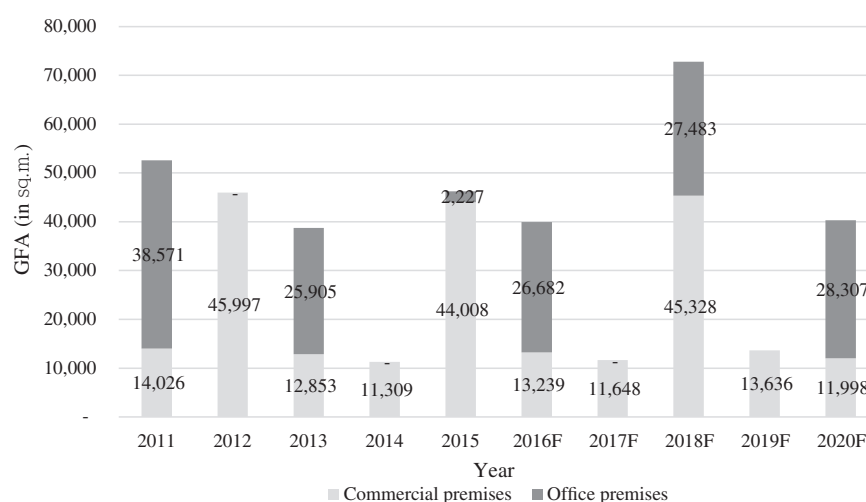
The number of commercial premises completed in Macau increased significantly from approximately 63 in 2011 to approximately 116 in 2013, representing a CAGR of approximately 35.7%, and followed by a decrease by approximately 13.8% to approximately 100 in 2014 and then increased by approximately 8.0% to approximately 108 in 2015. The gross floor area of the completed commercial premises significantly increased by approximately 227.9% from approximately 14,026 sq.m. in 2011 to approximately 45,997 sq.m. in 2012. Followed by consecutive drops in 2013 and 2014, the gross floor area of the commercial premises completed in Macau decreased to approximately 11,309 sq.m. in 2014. In 2015, the gross floor area of the commercial premises completed in Macau increased to approximately 44,008 sq.m., representing an increase of approximately 289.1%.

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Prior to the implementation of anti-corruption policies of the PRC, Macau had been heavily reliant on the gaming and hotel industries. Consequently, most of the developable lands were assigned for hotel or casino use. The number of office premises completed in Macau decreased significantly from approximately 168 in 2011 to one in 2015, representing a CAGR of approximately -72.2%. The gross floor area of office premises completed also decreased from approximately 38,571 sq.m. in 2011 to approximately 2,227 sq.m. in 2015, representing a CAGR of approximately -51.0%. As (i) the commercial and office industries (especially in the service sectors) would be further developed in the future, (ii) the Macau Government has increased efforts to support the exhibition industry and the auction industry, the number and the gross floor area of office premises to be completed in Macau is expected to increase.

The following chart sets forth the gross floor area of completed commercial and office premises in Macau for 2011 to 2015 and the forecast for 2016 to 2020.

### Gross floor area of completed commercial and office premises in Macau (2011-2020F)



Source: Direcção dos Serviços de Estatística e Censos (DSEC) — Statistics and Census Service of the Macau Government; Crowe Horwath

### Market size of renovation service industry in Macau

Due to the booming gaming and tourism industries in Macau in the past, the market demand for high-end hotels, casinos and residential buildings had continuously increased in the past decades. The phenomenon had in turn benefited the renovation contractors, especially those focusing on providing fitting-out works to luxury residential, retail shops and hotels. In addition, more international retail brands had also opened their stores in Macau. As a result, the gross value of the renovation service industry in Macau had increased from approximately MOP5,371 million in 2013 to approximately MOP7,298 million in 2014, representing an increment of approximately 35.9%.

The recent downturn in the gaming industry in Macau has negatively affected the investment interest in hotel and casino industries and in turn resulted in a decrease in growth rate in the renovation service industry from approximately 35.9% in 2014 to approximately 17.0% in 2015, and an expected lower growth rate of approximately 14.0% in 2016. Therefore, there is generally a positive correlation between the market size of the renovation service industry in Macau and the market conditions of the Macau gaming industry.

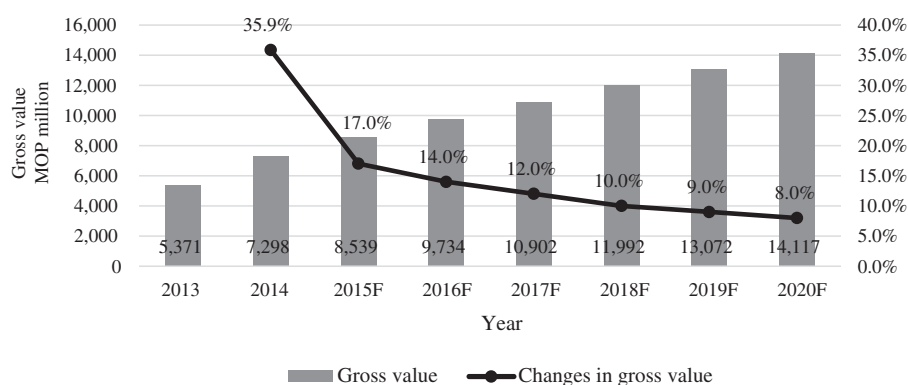
The gross value of renovation service industry in Macau is expected to gradually rise from approximately MOP9,734 million in 2016 to approximately MOP14,117 million in 2020, representing

## INDUSTRY OVERVIEW

a CAGR of approximately 9.7%, as a result of the expected completion of residential buildings and several casinos and resorts in Cotai, Macau in 2017, and the expected increase in the number of visitors to Macau associated with the planned completion of Hong Kong-Zhuhai-Macau Bridge in 2017. The revenue growth is expected to remain relatively stable after 2018.

The following chart sets forth the gross value of renovation service industry in Macau from 2013 to 2014 and the forecast for 2015 to 2020.

**Gross value of renovation service industry in Macau (2013-2020F)**



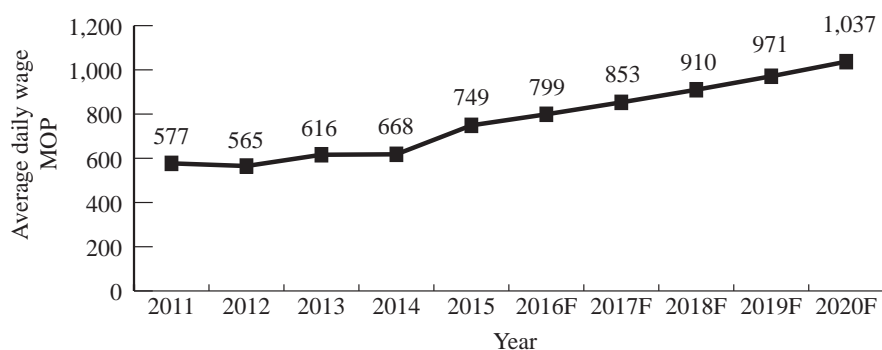
Source: *Direcção dos Serviços de Estatística e Censos (DSEC) - Statistics and Census Service of the Macau Government; Crowe Horwath*

### Average wage of skilled labour in renovation service industry in Macau

Due to the increasing demand for skilled workers, as well as the labour shortage in the renovation service industry in Macau, according to Statistics and Census Service of the Macau Government, the estimated average daily wage of the skilled labour in renovation service industry increased from approximately MOP577 per day per worker in 2011 to approximately MOP749 per day per worker in 2015, representing a CAGR of approximately 6.7%. It is estimated that the average daily wage for skilled labour would increase further from approximately MOP799 per day per worker in 2016 to approximately MOP1,037 per day per worker in 2020, representing a CAGR of approximately 6.7%.

The following chart sets forth the estimated average daily wage of skilled labour in the renovation service industry in Macau from 2011 to 2015 and the forecast for 2016 to 2020.

**Average daily wage of skilled labour in the renovation service industry in Macau (2011-2020F)**



Sources: *Direcção dos Serviços de Estatística e Censos (DSEC) - Statistics and Census Service of the Macau Government; Crowe Horwath*

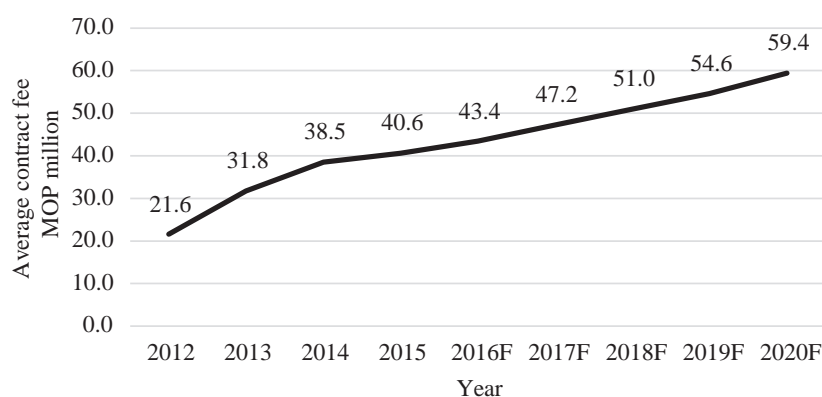
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### Average contract fee of renovation projects in Macau

The estimated average contract fee per renovation project in Macau increased from approximately MOP21.6 million in 2012 to approximately MOP40.6 million in 2015 at a CAGR of approximately 17.1%. It is expected that the estimated average fee per renovation project in Macau will increase from approximately MOP43.4 million in 2016 to approximately MOP59.4 million in 2020.

The following chart sets forth the average contract fee of renovation projects in Macau from 2012 to 2015 and the forecast for 2016 to 2020.

**Average contract fee of renovation projects<sup>(Note)</sup> in Macau (2012-2020F)**



*Note: Including fitting-out projects and alteration and addition projects for different types of premises in Macau, such as office premises, retail (including F&B) premises, residential premises, leisure and hospitality premises taken by main contractors principally engaged in fitting-out services and/or alteration and addition works. The fitting-out projects mainly include feature flooring, partition, door, wall, ceiling finishes and fixed furniture installation. The alteration and addition projects mainly include new structural works and the checking of structural adequacy. Both the fitting-out projects and alteration and addition projects include such works for household projects and minor works.*

Source: Crowe Horwath

### COMPETITIVE LANDSCAPE OF THE RENOVATION SERVICE INDUSTRY IN MACAU

The renovation service industry in Macau is dominated by certain major contractors, most of which are based in Hong Kong. According to the Industry Report, the industry players generally compete with each other on industry reputation, track record, relationship with the project owners, main contractors and industry professionals, such as project managers.

The following table sets forth the ranking of the top five contractors in the renovation service industry in Macau in terms of revenue in 2015.

Ranking	Revenue (MOP million)	Market share (%)
1 Contractor A <sup>(1)</sup>	2,462.3	28.84
2 Contractor B <sup>(2)</sup>	396.5	4.64
3 Contractor E <sup>(2)</sup>	219.4	2.57
4 Contractor F <sup>(2)</sup>	161.0	1.89
5 Our Group <sup>(3)</sup>	52.9	0.62
Others	5,246.6	61.44
<b>Total</b>	<b>8,538.7</b>	<b>100.00</b>

Notes:

- Data was extracted from Contractor A's segment results in its 2015 annual report.
- Data was derived from interviews and analysis by Crowe Horwath.



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3. According to the Industry Report, our revenue for the year ended 31 March 2016 derived from projects in Macau was used in generating our ranking and market share in 2015.

Similar to the renovation service industry in Hong Kong, the entry barriers to the renovation service industry in Macau generally include established reputation and proven track record, substantial capital investment and experienced and professional technical personnel.

### Opportunities and threats

#### *Opportunities*

- ***Completion of the construction of Hong Kong-Zhuhai-Macau Bridge:*** upon the planned completion of the Hong Kong-Zhuhai-Macau Bridge in 2017, the number of tourist visits within Hong Kong, Zhuhai and Macau is expected to be higher due to the new land transport link between the east and west banks of the Pearl River within the three places, which in turn will stimulate the retail services industry in Macau and provide market demand for renovation works.
- ***Demand for renovation services in relation to hotels:*** notwithstanding the recent downturn of Macau's gaming industry, the demand for renovation services in relation to extravagant and high-end fitting out of the luxury hotels and casinos still exist. Indeed, more hotels have started to transform from the gaming-model to the sightseeing-focus model (i.e. by focusing more on drama, performances, musicals, exhibitions, entertainment facilities like the House of Dancing Water) in a bid to attract more tourists.
- ***Expansion of international brand retailers in Macau:*** despite the recent downturn in Macau's gaming industry, the number of visitor arrivals to Macau increased by approximately 0.1% in the first half of 2016 as compared with the corresponding period in 2015. Benefited from the relatively stable number of tourists visiting Macau, as well as the well-developed position of Macau as "Eastern Las Vegas", it is expected that international brand retailers will continue to expand their business into Macau. For instance, a new Hollywood-themed resort, boasts approximately 27,871 sq.m. of retail spaces. Five other large resorts, each with its own non-gaming attractions, would add over approximately 297,290 sq.m. of retail space to the city in 2017. It is expected that the retail industry in Macau will continue to bring business opportunities for renovation service industry.

#### *Major threats*

- ***Downturn of Macau gaming industry:*** according to the Statistics and Census Service published by the Macau Government, gaming and junket activities contributed over 50% to the industrial structure of GDP in the past five years. Affected by the PRC government's anti-corruption campaign, the gaming industry in Macau experienced downturn in 2015, the revenue of Macau gaming industry decreased by approximately 34% year-on-year to a five-year low. The downturn in Macau gaming industry may adversely affect the demand for renovation services for hotels, serviced apartments, junkets and casinos in Macau.
- ***Increase in cost of raw materials:*** the major raw materials for renovation works primarily include steel, concrete block and paint. The general trend of average cost of concrete block and paint increased gradually during 2011 to 2015. The average price of concrete block increased from approximately MOP370 in 2011 to approximately MOP774 in 2015 and the average price of paint increased from approximately MOP695 in 2011 to approximately MOP859 in 2015, representing a CAGR of approximately 20.2% and approximately 5.4%, respectively. It is expected that the future price trend of concrete block and paint would follow a similar pattern in 2016 to 2020. Such increase in cost of raw materials will increase the costs for renovation contractors.



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### HONG KONG LAWS AND REGULATIONS

#### A. Laws and regulations in relation to fitting out and other building works, labour, health and safety

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

The Buildings Ordinance and associated regulations regulate the planning, design, and construction of buildings and associated works. The Buildings Ordinance and associated regulations contain a set of controls for undertaking any construction works, including the requirement to obtain prior approval and consent from the Building Authority before the commencement of works, and to appoint authorised persons (such as architects, engineers and surveyors registered under the Buildings Ordinance) and registered professionals to design and supervise the works, and registered contractors to carry out the works.

Under section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works, including alteration, addition and every kind of building operation, without having obtained approval or consent from the Building Authority unless otherwise provided therein. According to section 41(3) of the Buildings Ordinance, building works (other than drainage works, ground investigation in the scheduled areas, site formation works or minor works) in any building are exempt from the requirement for approval from the Building Authority if the works do not involve the structure of the building. Even if the building works satisfy the criteria under section 41(3) of the Buildings Ordinance and can be carried out without prior approval of the Buildings Authority, the works concerned would have to comply with the building standards stipulated in the regulations made under the Buildings Ordinance. It is a requirement under the Buildings Ordinance for an authorised person (who co-ordinates any building works and who prepares and submits plans for the approval of the Building Authority) to be appointed by either the ultimate beneficiary of the works, the employer of the works, or the contractor.

Any person who knowingly contravenes section 14(1) in respect of building works (other than minor works) shall be guilty of an offence and shall be liable on conviction to a fine of HK\$400,000 and to imprisonment for up to 2 years, and to a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

For alteration and addition works in relation to wholesale conversion of industrial buildings, it is the responsibility of (i) the developer, through the appointment of authorised persons or the registered structural engineer, to design and submit the relevant building plans and structural plans to alter the use of the buildings to the Buildings Department for approval; (ii) the authorised person of the surveying firms engaged by the developer to design the alteration and addition works to comply with the relevant restriction and requirements such as the Buildings Ordinance, the Code of Practice for Fire Safety in Buildings 2011, and the Building (Planning) Regulations. The authorised person is also responsible for supervising the carrying out of the alteration and addition works; and (iii) the registered structural engineer engaged by the developer to assist the authorised persons in submitting the relevant structural plans to Buildings Department for approval. The registered structural engineer should also include in his submission the structural appraisal of the existing building structure affected by the alteration and addition works.

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In general, the structural and fire safety requirements in relation to wholesale conversion of industrial buildings vary according to original design of the existing building and the proposed conversion. All of the aforesaid duties are carried out by the developer's consultant team and would be completed prior to award of tender to the contractors. Our Group, as a registered general building contractor, when awarded with tender for such alteration and addition works in relation to wholesale conversion of industrial buildings, will carry out the works in accordance with the approved plans. Our Directors confirm that when carrying out such works under the approved plans, same as other building works carried out by our Group, we will comply with the relevant laws and regulations to ensure the safety of the sites.

### ***Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) ("B(MW)R")***

The B(MW)R is a subsidiary legislation under the Buildings Ordinance and provides for a simplified procedure and requirements to regulate building works which have been specified as "minor works". Under the B(MW)R, minor works are classified into three classes according to their nature, scale and complexity and the risk and safety they pose. The works are further classified into types and items that correspond to the specialisation of works in the industry. Class I minor works are relatively more complicated and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional (such as an authorised person and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor. The other two classes of minor works, Class II and Class III, can be carried out by a prescribed registered contractor (which can be a registered general building contractor, a registered specialist contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a registered minor works contractor) without the involvement of a prescribed building professional.

Any person who, without reasonable excuse, observe the relevant requirements under the B(MW)R for conducting the minor works commits an offence and is liable on conviction to a fine of up to HK\$50,000.

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

All employees under contracts of employment are covered by the Employment Ordinance and as employers generally of personnel we are obliged to adhere to the Employment Ordinance.

Employees who have been employed continuously by the same employer for a period of four weeks or more with at least 18 hours worked in each week are further entitled to benefit such as compulsory rest days, paid annual leave, maternity leave, sickness allowance, severance and long service payments and MPF contributions.

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor (i.e. a subcontractor higher in the contractual chain) jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. This is relevant

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to our business as we subcontract certain works to subcontractors, and therefore can be exposed to a claim from a subcontractor's worker if he/she is not paid by his/her employer. Further we must be cautious to ensure that all workers on site are registered workers under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong). The liability of a principal contractor and superior subcontractor (where applicable) shall be limited (i) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works, and (ii) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor 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 the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine of HK\$50,000.

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be; or (ii) deduct by way of setoff the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has sub-contracted. A principal contractor who without reasonable excuse fails to comply with this section shall be guilty of an offence and shall be liable on conviction to a fine up to HK\$50,000.

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

The Employees' Compensation Ordinance establishes a no-fault and non-contributing employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

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Under section 24 of the Employees' Compensation Ordinance, the principal contractor is liable to pay compensation to subcontractors' employees who are injured in the course of their employment which the principal contractor would have been liable to pay as if they were his own employees. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Under section 40 of the Employees' Compensation Ordinance, all employers (including the principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for up to two years.

Under section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law.

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident or prescribed occupational disease irrespective of whether the accident or the occupational disease gives rise to any liability to pay compensation. Work injury cases in general should be reported in 14 days' time while the fatal cases in 7 days' time.

If the employer is not aware of the happening of the accident within the respective periods, he must notify the Commissioner for Labour within 7 or 14 days, as the case may be, after the accident came to his knowledge.

Please refer to "Business — Insurance" for our insurance coverage in this regard.

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

Employers are required to enrol their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund Scheme ("MPF") scheme within the first 60 days of employment.

Under the MPF scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month or HK\$360,000 per annum (maximum level of relevant income for contribution purposes was HK\$25,000 per month or HK\$300,000 per annum for the period from 1 June 2012 to 31 May 2014).

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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 is 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 MPFSO 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 scheme members and saves administrative costs.

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

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

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

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

According to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) shall take all practicable steps to (i) prevent having illegal immigrants from being on site; or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Where it is proved that (i) an illegal immigrant was on a construction site; or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000.

Our Directors confirmed that (i) we had not employed any illegal immigrants or any illegal workers who are not lawfully employable in Hong Kong; and (ii) our Group had not been subject to any prosecution or legal action under the Immigration Ordinance during the Track Record Period and up to the Latest Practicable Date.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate ((i) currently at HK\$32.5 per hour, and (ii) HK\$30 per hour for the period from 1 May 2013 to 30 April 2015) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Failure to pay minimum wage amounts to a breach of the wage provisions under the Employment Ordinance. According to the Employment Ordinance, an employer who wilfully and without reasonable excuse fails to pay wages to an employee when it becomes due is liable to prosecution and, upon conviction, to a fine of HK\$350,000 and to imprisonment for up to three years.

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

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

Employers must, as far as reasonably practicable, ensure the safety and health at work of all employees by:

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from the workplace that are safe and without risks to health; and
- providing and maintaining a work environment that is safe and without risks to health.

Failure to comply with any of the above provisions constitutes an offence and 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 six months.

The Commissioner for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance

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(Chapter 59 of the Laws of Hong Kong) or a suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively, and imprisonment for up to 12 months.

We have established and maintained a safety management system for our operations which is certified to have complied with OHSAS 18001 requirements. For details, see “Business — Occupational health and safety”.

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

The Factories and Industrial Undertakings Ordinance specifically provides for the safety and health protection to workers in the industrial sector. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

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

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and imprisonment for up to six months.

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

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong), any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day



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working in one or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment of up to six months.

We have established and maintained a safety management system for our operations including the provision of a safety policy, the establishment of the safety committee and the implementation of the safety audit in accordance with the Factories and Industrial Undertakings Ordinance. For details, see “Business — Occupational health and safety”.

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

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

- Employers must, as far as reasonably practicable, ensure the safety and health of their employees at work by attending to the following:
  - providing and maintaining plant and systems of work that are, so far as reasonably practicable, safe and without risks to health;
  - making arrangements for ensuring, so far as reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing such information, instruction, training and supervision as may be necessary to ensure, so far as reasonably practicable, the safety and health at work of the employer’s employees;
- as regards any workplace under the employer’s control:
  - maintaining the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health; or
  - providing and maintaining means of access to and egress from the workplace that are, so far as reasonably practicable, safe and without any such risks;
- providing and maintaining a working environment for the employer’s employees that is, so far as reasonably practicable, safe and without risks to health.

Failure to comply with the above provisions constitutes an offence, and 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.



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The Commissioner for Labour may also issue improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance, or suspension notices against activity of workplace which may create imminent risk of death or serious bodily injury to the employees. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively, and imprisonment of up to 12 months.

### *Fatal Accidents Ordinance (Chapter 22 of the Laws of Hong Kong)*

The Fatal Accidents Ordinance provides a mechanism for dependants of any person who died from any wrongful act, neglect, or default to claim damages against the individual who would be liable for the wrongful act, neglect, or default.

## **B. Laws and regulations in relation to environmental protection**

For information regarding the environment protection of our Group, please see “Business — Environmental protection”.

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). For instance, the contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant. It is customary for construction contracts in Hong Kong to place the responsibility for observing these requirements on the contractor. The Air Pollution Control (Construction Dust) Regulation also requires precautionary measures for stock piling of materials on site.

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

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during

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the restricted hours and for percussive piling during the daytime on a day not being a general holiday, construction noise permits are required from the Environmental Protection Department in advance. It is customary for construction contracts in Hong Kong to place the responsibility for observing these requirements on the contractor.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment in populated areas (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on subsequent convictions to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of the Environmental Protection Department which we are required to comply with.

All discharge, other than domestic sewage to a communal sewer or unpolluted water to a communal drain, must be approved by a water pollution control licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters. According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the water or discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for up to six months and (i) at a first offence, a maximum fine of HK\$200,000; (ii) for a second or subsequent offence, a maximum fine of HK\$400,000. In addition, if the offence is a continuing offence, a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued will be imposed.

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

The Waste Disposal Ordinance controls the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system. A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical

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Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong). Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who, except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for up to six months for the first offence, and to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence. In addition, if the offence is a continuing offence to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1 million or above will be required to establish a billing account with the Director of the Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

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

Pursuant to section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or of that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 upon conviction with a daily fine of HK\$200.

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

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

Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 upon conviction and a daily fine of HK\$200.

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 upon conviction and a daily fine of HK\$200.

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### C. Laws and regulations in relation to contractor registration regime

#### *General building contractor*

Under the current contractors registration system in Hong Kong, a contractor carrying out private sector works must be registered with the Buildings Department either as general building contractor, specialist contractor or minor works contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors. Registered general building contractors may also carry out all types of minor works as stipulated in Part 2 of Schedule 1 of the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong).

Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a registered general building contractor must satisfy the Building Authority on the following aspects:

- if the contractor is a corporation, the adequacy of its management structure;
- the appropriate experience and qualifications of its personnel;
- its ability to have access to plant and resources; and
- the ability of the person appointed by the contractor to act for the contractor for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

In considering each application, the Building Authority will consider the qualifications, competence and experience of the following key personnel of the applicant:

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as the authorised signatory (the “**Authorised Signatory**”);
- (b) for a corporation, a minimum of one director from the board of directors of the applicant, hereinafter referred to as a “**Technical Director**” who is authorised by the board to (i) have access to plant and resources; (ii) provide technical and financial support for the execution of building works and street works; and (iii) make decisions for the company and supervise the Authorised Signatory and other personnel, for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works, another officer as authorised by the board of directors shall be appointed to assist the Technical Director.

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As at the Latest Practicable Date, Mr. Smithers, one of our executive Directors, is the Technical Director. According to the Practice Note published by the Building Authority, (i) prior notification to the Building Authority is required if any technical director intends to resign from his duties or will cease to be appointed by the registered contractor; and (ii) the relevant building works carried out by the registered contractor should only be ceased if there is no technical director acting for the contractor and an acceptable replacement is not appointed within a reasonable period of time. Under the existing employment contract of Mr. Smithers, he is subject to a three-month notice period in respect of termination of employment. In the unlikely event that Mr. Smithers ceases to be the Technical Director, our Directors confirm that, one of the two existing authorised signatories of our Group who are both qualified to be the Technical Director will be appointed as a director of IBI Limited (holder of the RGBC licence) and an application to be the Technical Director will then be made to the Building Authority in due course to avoid any disruption of the business operation of our Group. Our Directors confirm that the application to be a technical director will normally take approximately three months. Our Directors are of the view that it will not cause any material disruption of our business in the unlikely event that Mr. Smithers resigns to be the Technical Director given that (i) Mr. Howard, our executive Director and the other director of IBI Limited, is applying to be an additional Technical Director; (ii) both Mr. Howard and Mr. Smithers are subject to a three-month notice period in respect of termination of employment under their existing employment contracts, which is generally in line with the normal period of time required for the application to be a technical director; and (iii) the relevant building works carried out by us should only be required to cease if no acceptable replacement of technical director is appointed within a reasonable period of time.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff members to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

A contractor may apply to the Building Authority for the renewal of his registration. The Building Authority may refuse an application for renewal of registration (a) if he is satisfied that the applicant is no longer suitable (for any reason) for registration on the relevant register; or (b) if the applicant fails to provide relevant information and documentary proof required by the Building Authority including, but not limited to, updated information on matters supplied on previous applications for registration or renewal of registration.

### ***Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) (“PMCO”)***

The PMCO established the Pneumoconiosis Compensation Fund, which consist of moneys received from the Government as well as from levy, surcharge and penalty. The Pneumoconiosis Compensation Hong Kong Fund Board is the statutory body responsible for administering the Pneumoconiosis Compensation Fund set up under the PMCO and assessing and collecting levy based on the value of the construction operations. The Pneumoconiosis Compensation Fund compensates persons suffering from pneumoconiosis and/or mesothelioma or family members of persons who died of the disease(s). A contractor is responsible for paying levy to the Pneumoconiosis Compensation

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Fund Board, which is imposed on all construction operations carried out in Hong Kong with a total value exceeding HK\$1 million at a rate of 0.15% of the value of the construction operations concerned. Construction operations have the meaning as defined in the Construction Industry Council Ordinance. 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. If the amount of the levy is not fully paid within the prescribed time limit, the contractor shall be liable to pay, in addition, a penalty of 5% of the amount unpaid.

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

In accordance with section 32 of the Construction Industry Council Ordinance, a construction industry levy at the rate of 0.5% is imposed in respect of all construction works or operations carried out in Hong Kong with a total value exceeding HK\$1 million. A contractor executing construction operations is responsible for paying the construction industry levy to the Construction Industry Council (“CIC”). Construction operations include building works, construction, alteration, repair, maintenance, extension, demolition or dismantling of buildings or structures, power-lines, telecommunications apparatus or pipelines; supply and installation of fittings or equipment in any building or structures; external or internal cleaning of any buildings or structures, which is carried out in the course of construction or maintenance of such buildings or structures; painting or decorating any external or internal surfaces or parts of any buildings or structures; and operations which form an integral part of, or are preparatory to any of the above operations.

If a contractor fails to give a notice under section 35 or 36 and fails to give, within a period allowed by the CIC, a reasonable excuse for that failure, the CIC may impose a surcharge which shall not exceed twice the amount of the levy payable by the contractor. A person who, without reasonable excuse, fails to give a notice to the CIC within 14 days after any construction operations have commenced as required by this section commits an offence and is liable on conviction to a fine at HK\$2,000. A person who, without reasonable excuse, fails to give, give notice of the payment to the CIC within 14 days after the payment is made commits an offence and is liable on conviction to a fine at HK\$10,000. A person who, without reasonable excuse, fails to give a notice to CIC of completion within 14 days after the completion of the construction operations or the stage of the construction operations commits an offence and is liable on conviction to a fine at HK\$10,000. If the amount of the levy or surcharge is not fully paid within the specified period, the contractor is liable to pay a penalty of 5% of the unpaid amount, and a further penalty of 5% of the unpaid amount if it is overdue for more than three months.

### ***Electricity Ordinance (Chapter 406 of the Laws of Hong Kong)***

The Electricity Ordinance is to provide for the registration of electrical workers, contractors and generating facilities, to provide safety requirements for electricity supply, electrical wiring and products, to provide powers for electricity suppliers and the Government respecting electrical accidents and enforcement of the Electricity Ordinance, and to provide for measures designed to ensure that activities carried out in the vicinity of electricity supply lines do not prejudice safety or the continuity of the electricity supply.

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Pursuant to Regulation 20 of the Electricity (Wiring) Regulations, owners of electrical installations shall have periodic inspection, testing and certification for fixed electrical installations. Under Regulation 20(2) of the Electricity (Wiring) Regulations, for typical industrial premises, electrical installations with an approved loading exceeding 200 amperes shall be inspected, tested and certified at least once every 5 years. Under Regulations 20(3) of the Electricity (Wiring) Regulations, for typical residential or commercial premises, electrical installations with an approved loading exceeding 100 amperes shall be inspected, tested and certified at least once every 5 years. A fixed electrical installation shall be inspected, tested and certified by a registered electrical worker. According to Regulation 24 of the Electricity (Wiring) Regulations, a person who contravenes Regulation 20 of the Electricity (Wiring) Regulations commits an offence and is liable to a fine of HK\$10,000.

### **D. Other applicable laws**

#### *The Contract (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong)*

The Contract (Rights of Third Parties) Ordinance came into force on 1 January 2016. Section 4 of the Contract (Rights of Third Parties) Ordinance enables a party who is not a party to a contract to enforce provisions of a contract if either the contract expressly provides that it may do so, or if the relevant term purports to confer a benefit on an identifiable third party. If the contracting parties do not wish the Contract (Rights of Third Parties) Ordinance to be applicable to the contract, an express provision to that effect can be made. According to section 5 of the Contract (Rights of Third Parties) Ordinance, a third party is entitled to any remedy that would have been available to him in an action for breach of contract if he has been a party to the contract. The Contract (Rights of Third Parties) Ordinance applies to construction contracts entered into on or after its commencement and its effect is that purchasers, tenants or funders of projects can directly sue the contractor for any defects in the works undertaken.

#### *Security of Payment Legislation for the Construction Industry (“SOPL”)*

The Hong Kong Government had conducted a public consultation on new legislation for the construction industry to address unfair payment terms, payment delays and disputes. SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain.

When it comes into force, SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts relating to a “new building” (as defined by the Buildings Ordinance) which has an original value in excess of HK\$5 million will be caught in private sector. However, where SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.



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The new legislation will:

- prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums;
- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments;
- enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60-day process); and
- give parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our fitting-out projects were typically performed on existing buildings which do not form part of the construction of new buildings (as defined by the Buildings Ordinance) and our Group undertook two alteration and addition projects which may fall within the definition of “new building”. Therefore, it is probable that some of our contracts will be caught by the new SOPL legislation and where such contracts are subject to SOPL we will have to ensure that their terms comply with the legislation in this regard.

For any of our future projects which falls within the scope of the proposed SOPL after it comes into effect, we will agree on payment terms with subcontractors which comply with the requirements under the SOPL. Given that our existing payment practice with major subcontractors generally satisfies the 60-calendar day interim payment period requirement under the proposed SOPL, our Directors are of the view that the enactment of the SOPL under its currently proposed framework would not result in material change from our actual payment schedule with subcontractors under the existing contractual arrangements nor any material impact on our operating cash flow.

Under the scope of the proposed SOPL, the parties will retain a large degree of freedom to agree payment terms, such as when claims for payment can be made for works, services or supplies and how payments are valued. The adjudication model under the proposed SOPL that provides a means to resolve payment disputes expediently is available not only to subcontractors but also to main contractors, which allows main contractors to be entitled to adjudicate against its customer for payment. The proposed SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process and therefore it is generally considered that where SOPL applies, we believe that it will have a positive impact on ensuring that we have an alternative option to seek timely payment for such projects falling within the scope of the proposed SOPL.

The proposed SOPL is subject to the finalisation of the legislation framework and the legislative process by the Hong Kong Government. Therefore, the actual scope of application of the proposed SOPL and its impact on our Group’s future operations remain uncertain.



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## REGULATORY OVERVIEW

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### MACAU LAWS AND REGULATIONS

#### A. Laws and regulations in relation to fitting-out works

The fitting-out works regime in Macau is essentially regulated in Decree Law no. 79/85/M (the “**General Construction Works Regulation**”). The General Construction Works Regulation establishes administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this regulation, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography and soil application infrastructures are qualified as “*construction works*”. Pursuant to the said regulation, a construction works project designer, director, supervisor or constructor, whether individual or corporate, must register with and obtain a work license from the Land, Public Works and Transportation Bureau of Macau (“**DSSOPT**”), in order to legally carry out works which are qualified as construction works under the General Construction Works Regulation. Moreover, the direction of any construction works carried out in Macau must be done by a technician also duly registered with DSSOPT for the respective sectors of construction works under the Law no. 1/2015 (the “**Urban Construction and Planning Qualification Regime**”).

Fitting-out works in a non-residential unit with area no greater than 120 square meters are not subject to the project licensing regime set out in the General Construction Works Regulation, provided that such modification, maintenance or repair works do not alter the use of the unit or the building structure, or affect normal operation of the fire prevention system, and maintenance and repair work performed on the exterior walls of the facades of non-residential ground-floor units and replacement of fitting-out or walls, which do not disturb other fractions of the same building. In these cases, a simple prior notice to DSSOPT is satisfactory. Other non-residential fitting-out works that do not fall under the aforesaid category are subject to obtaining a work license from DSSOPT.

If the main contractor or the first trade contractor of the works has obtained the work license or made prior notice, the subcontractors or trade contractors who are involved in any part of such works are not required to obtain any work license or make prior notice.

Non-compliance with the aforementioned licensing or prior notice requirements in respect of a certain project constitute administrative offenses sanctioned with a fine between MOP1,000 and MOP20,000, to be paid by the individual constructor or construction company in charge of the works as main contractor.

A registered constructor is required to have a responsible technician who is registered with the DSSOPT. The registration as a constructor with the DSSOPT is valid for a period of one year, i.e., until the end of the calendar year in which it was requested, and its renewal must be requested during the month of January of each subsequent calendar year. Failure to comply with this deadline will result in the expiration of the registration as constructor with the DSSOPT.

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## REGULATORY OVERVIEW

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The request for registration as a construction company with DSSOPT shall include a list of the technical equipment and workforce at the company's disposal, a list of previously completed projects, and proof of payment of the industrial tax for the current year. In the case of the responsible technician, the request for registration with DSSOPT shall include proof of professional qualifications and a declaration of observance of applicable legal obligations and technical rules.

IBI Macau is duly registered as a constructor with the DSSOPT and is mostly engaged in minor decoration works in non-residential units that, being outside the scope of the General Construction Works Regulation, do not require notification to, or work license from, DSSOPT. Our Directors further confirm that, in respect of non-residential fitting-out works performed during the Track Record Period, prior notices have been complied with and work licenses have been obtained, by the respective owner, our Group, the main contractor or the first trade contractor, as applicable.

### **B. Laws and regulations in relation to labour, health and safety in Macau**

The Macau labour legal regime is developed based on Law no. 4/98/M, which defines the political foundations and principles upon which the regulation of labour matters is to be based. Such principles include the preservation of the economic structure of Macau, the normal functioning of the economy, the respect for the employees' rights and the recognition of the social value of the provision of labour.

Law no. 7/2008 ("**Labour Relations Law**") sets out the general framework governing employment relations in Macau. The Labour Relations Law establishes the minimal labour conditions acceptable in all Macau labour situations and its guiding principle is that of "favour labouris" — i.e. employers may not contractually offer lower working terms and conditions than those minimum terms provided by statute, and any discrepancy therewith should be interpreted in favour of the employee.

The Labour Relations Law contains various institutes primarily aimed at regulating the rights and obligations between employee and employer. These include statutory minimum requirements on matters such as duration of contract, working hours, overtime work, weekly and annual leave, absences, remuneration and termination of contract.

Employment contracts are, by rule, without term, unless the specific nature or scope of the services to be performed requires otherwise or if the relevant employee is a non-resident worker. Any termination of contract that is not grounded on just cause may entitle the employee to severance compensation. There are statutory minimums in respect of daily and weekly working hours, as well as in respect of annual leave.

The Macau Labour Affairs Bureau is, in general, the regulatory authority competent to supervise the compliance with the Labour Relations Law and will promote the investigation to alleged breaches by employees or employers, having powers to apply administrative fines. The DSSOPT is also the regulatory authority in charge of monitoring compliance with respect to construction sites, in particular.

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## REGULATORY OVERVIEW

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Regarding the employment of non-residents, it is important to note that, in accordance with Administrative Regulation no. 17/2004 (“**Illegal Work Regulation**”), non-residents of Macau are not permitted to work unless a proper work permit has been issued by the Macau Human Resources Office, which is valid for a fixed term of up to two years and subject to re-approval upon expiration. Non-compliance with the Illegal Work Regulation is criminally punishable and subject to fines between MOP5,000 and MOP50,000, without prejudice of other accessory sanctions, such as prohibition of entry in Macau. The employment of foreign workers is subject to strict regulations included in Law no. 21/2009 (“**Employment of Non-Resident Workers Law**”), which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees. Non-compliance with the rules included in the Employment of Non-Resident Workers Law may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a period of six months to two years, and/or criminal offences related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident workers and the prohibition for a period of six months to two years to request new authorisations; (ii) prohibition, for a period of six months to two years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of six months to two years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the working environment and safety, an employer must comply with the rules provided under Decree Law no. 37/89/M (the “**General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments**”) in order to provide a safe and clean working environment for its employees. It standardised a series of safety and hygiene standards, in related to the general conditions of workplace, air, lighting, sanitary, fire protection and so forth. Since these stipulations are mandatory provisions and should be executed compulsorily, both of the employer and employee have no rights to minify or to abandon the fundamentals. Failure to comply with those rules may result in the application of fines between MOP1,000 and MOP30,000 to the employer, according to the provisions set out by Decree Law no. 13/91/M (“**Sanctions for non-compliance with the general regulation of working safety and hygiene of office, service and commercial establishments**”).

The employer must comply with the rules provided under Decree Law no. 44/91/M (“**General Regulation of Working Safety and Hygiene in the Construction Industry**”) and Decree Law no. 34/93/M (“**Legal Regime of Noise at Work**”) in order to provide a safe, clean and environmentally friendly working conditions for the employees. The regime aims to create basic statutory requirements for site safety with respect to different aspects such as: general prevention, circulation and maintenance of vehicles and mechanical equipment, lifting devices, and also individual and group safety measures applicable to the workers. The relevant regulatory body is the Macau Labour Affairs Bureau. Failure to comply with those rules may result in the application of fines between MOP500 and MOP15,000 to the employer, according to the provisions set out by Decree Law no. 67/92/M and Decree Law no. 48/94/M.

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## REGULATORY OVERVIEW

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All employers of all service industries are required to transfer liability for work related injuries and occupational diseases to an insurance company authorised to operate in Macau in accordance with Decree Law no. 40/95/M (“**Legal Regime of Compensation of Damages Caused by Work-Related Accidents and Occupational Diseases**”) as amended by Law no. 6/2015 (which widened the concept of work-related accident, among other matters) and Executive Order no. 237/95/M, as amended by Executive Order no. 39/2015, which approved the statutory uniform insurance policy of work-related injuries and occupational diseases. If an employer fails to provide employee compensation insurance for its employees, fines between MOP1,000 and MOP17,500 may be applied to the employer as legal sanction. The regulatory authority in charge of insurance matters is the Monetary Authority of Macau, however, compliance with the aforesaid regulations is supervised by the Labour Affairs Bureau.

Pursuant to Law 4/2010, employers are required to contribute to the Macau Social Security Fund account (*Fundo de Segurança Social*) for each worker at their service. Non-compliance is subject to fines between MOP200 and MOP1,000 for each employee.

### C. Laws and regulations in relation to environmental protection in Macau

In accordance with Article 119 of the Basic Law of Macau adopted on 31 March 1993 by the Eighth National People’s Congress at its First Session, the Macau Government shall protect the environment in accordance with the law. The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M (the “**Macau Environmental Law**”), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macau Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact as a condition for obtaining a final works licensing approval from DSSOPT. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation in various fields such as, namely, natural heritage protection, landscape, air, soil, light, water and noise pollutions, hygiene of technologies and food, and use of chemical products, will be punished with civil liability, administrative fines or criminal liability (Article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Also injunctions may be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters is the Environment Protection Services Bureau which has promulgated certain environmental protection guidelines in relation to different kind pollution in connection to construction site, such as renovation, demolition and noise. However, police authorities are also legally entitled to impose preventive measures with respect to time period restrictions.

Concerning noise pollution in particular, Law no. 8/2014 (“**Prevention and Control of Environmental Noise Law**”) and the Macau Chief Executive Dispatch no. 248/2014 establishes rules on prevention and control of environmental noise pollution and sets noise limits. Pursuant to this law, the use of mechanical equipment, fixed or mobile, in construction works less than 200 meters from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 8:00 p.m. and 8:00 a.m. (next day) on weekdays. Failure to comply with this provision is subject to a fine between MOP100,000 and MOP200,000. Regarding water and marine pollution, in particular, Decree

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## REGULATORY OVERVIEW

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Law no. 46/96/M defines the technical conditions that must be satisfied in order to ensure the global functioning of the public water distribution system, the preservation of public health, and the safety firefighting water installations, whereas Decree Law no. 35/97/M provides for the protection of the marine environment from pollution. The latter further prohibits the discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may contaminate marine water, beaches or coastal areas and affect their flora and fauna wildlife. Failure to comply with Law no. 35/97/M is subject to a fine between MOP1,000 and MOP200,000.

The Administrative Regulation no. 28/2004 (“**General Regulation Governing Public Places**”) imposes obligations of cleanliness, personal hygiene and public health in public areas, and forbids actions that may cause or increase the danger in normal commuting of vehicles or pedestrians, protects the natural environment, as well prevents trespassing into restricted zones. Non-compliance with said General Regulation Governing Public Places is supervised by the Civic and Municipal Affairs Bureau and is punishable with fines between MOP300 and MOP10,000, without prejudice of other accessory sanctions such as loss of materials which were unlawfully place in public areas.

### **D. Laws and regulations on foreign exchange, dividend distribution and repatriation of funds**

The Macau Pataca is freely convertible and there are no restrictions affecting the remittance or repatriation of funds, namely, the repatriation of dividends. There are no currency control regulations, no currency control restrictions or approval requirements applicable to any outbound foreign currency transfers. Unless otherwise stated in the respective articles of association, the shareholder of a Macau company is entitled to dividends in the proportion of its relevant shareholdings, as approved on the annual general meeting of the company and upon approval of the annual accounts of the previous financial year. Distributable dividends are calculated on the basis of the profit of the company for each financial year, determined in accordance with the Macau accounting standards and regulations, which exceeds the aggregate of its share capital and the sums that shall integrate the mandatory and voluntary reserves on that financial year. A Macau company may pay dividends before or after taxes.

### **E. Taxation**

In Macau, corporate tax (“**Complementary Tax**”) is imposed on a company’s profits, which consist of business income, interest income and realized capital gains and is levied at progressive rates ranging from 9% to 12%. Normal business expenses may be deducted in computing taxable income. Dividends received from another Macau company are exempt of complementary tax if the dividends are paid out after-tax.

All companies engaging in commercial activities in Macau, including those dedicated to all interior decoration and construction works, are liable to Complementary Tax and should be registered with the Macau Finance Services Bureau for tax purposes.

Other taxes consist in industrial tax, real property tax, motor-vehicle tax and stamp duty on transactions. There is no consumer tax or VAT or sales tax in Macau (with exception of some specific products like fuel, tobacco and alcohol).

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OVERVIEW

Our development history can be traced back to 1997 when we commenced business in Hong Kong as a contractor for fitting-out business through IBI Limited (formerly known as Isis Bells Interiors Limited), one of our operating subsidiaries. IBI Limited was founded by Isis Interiors Pty Ltd and Bells Technologies International Limited, both of which are Independent Third Parties. In 2005, we expanded our operations to Macau and was awarded our first fitting-out project in Macau for one of the international casino operators. During the Track Record Period, we have focused on providing renovation services for property projects in the private sector in Hong Kong and Macau generally as a main contractor.

Through a series of allotment and transfers of shares in IBI Limited, Mr. Howard became legally and beneficially interested in approximately 33% and 60% of the issued shares in IBI Limited in November 2008 and April 2010, respectively. In January 2012, the then shareholders of IBI Limited, which included Mr. Howard, Mr. Smithers and Mr. Haughton, transferred all of the issued shares they held in IBI Limited, which, together represented its entire issued capital, to IBI Group. Immediately prior to the Reorganisation, Mr. Howard and Mr. Smithers held 72% and 28% of the issued shares of IBI Group, respectively. Upon completion of a number of share transfers under the Reorganisation, IBI Group became indirectly wholly owned by our Company in May 2016. For details of the changes in the shareholding of IBI Limited and IBI Group, see “— History and corporate development — Our subsidiaries” below.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### BUSINESS MILESTONES

The following table sets forth a summary of our key achievements and business milestones since our establishment in 1997:

<u>Year</u>	<u>Milestone event</u>
1997	<ul style="list-style-type: none"><li>• IBI Limited was established</li></ul>
2005	<ul style="list-style-type: none"><li>• IBI Macau was established</li><li>• We expanded our operations to Macau and commenced our first fitting-out project in Macau for an international casino operator</li></ul>
2006	<ul style="list-style-type: none"><li>• IBI Limited was registered as a registered general building contractor with the Buildings Department in Hong Kong</li></ul>
2007	<ul style="list-style-type: none"><li>• We obtained ISO 9001 certification</li></ul>
2010	<ul style="list-style-type: none"><li>• We were awarded an alteration and addition project for a shopping mall in Hong Kong with a notional contract sum of approximately HK\$175.0 million</li></ul>
2012	<ul style="list-style-type: none"><li>• We obtained OHSAS 18001 certification</li><li>• We obtained ISO 14001 certification</li></ul>
2014	<ul style="list-style-type: none"><li>• We were awarded an alteration and addition project for the wholesale conversion of an industrial building for commercial use with a notional contract sum of approximately HK\$161.1 million</li></ul>
2015	<ul style="list-style-type: none"><li>• We were awarded a fitting-out project for the phase one office space of a U.S. headquartered multi-national banking corporation in Hong Kong (Customer J) with a notional contract sum of approximately HK\$127.4 million</li><li>• We were awarded an alteration and addition project for container and godown centre in Hong Kong with a notional contract sum of approximately HK\$215.0 million</li></ul>
2016	<ul style="list-style-type: none"><li>• We were awarded a fitting-out project for the phases two and three office space of a U.S. headquartered multi-national banking corporation in Hong Kong (Customer J) with a notional contract sum of approximately HK\$128.8 million</li></ul>

### HISTORY AND CORPORATE DEVELOPMENT

#### Our Company

Our Company was incorporated in the Cayman Islands on 6 April 2016. The initial authorised share capital of our Company was HK\$380,000 divided into 37,999,900 ordinary Shares of HK\$0.01 each and 100 B-Shares of HK\$0.01 each. Please refer to “— Reorganisation” for details of change of shareholding in our Company including the transfers and conversion of the B-Shares. As at the Latest Practicable Date, our ordinary Shares were owned as to 64.80%, 25.20%, 4.00%, 2.50%, 2.00% and 1.50% by Brilliant Blue Sky, Breadnbutter Holdings, Mr. Lau, Mr. Lui, Mr. Kong and Ms. Chu, being members of the senior management of our Group, respectively.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### **Our subsidiaries**

During the Track Record Period, we had conducted our business through our operating subsidiaries incorporated in Hong Kong and Macau. We also established intermediate holding companies for holding interests in our operating subsidiaries. As at the Latest Practicable Date, we had 14 subsidiaries, including four operating subsidiaries (namely, IBI Limited, IBI Macau, IBI Projects and IBI Holdings), three intermediate holding companies (namely, IBI Corporate Holdings, IBI CS and IBI Group), and seven dormant companies (namely, the Other HK Companies).

### *Our intermediate holding companies*

#### **IBI Corporate Holdings**

On 14 April 2016, IBI Corporate Holdings was incorporated in the BVI to serve as an intermediate offshore holding company for holding interests in our subsidiaries as part of our Reorganisation. Since the date of its incorporation and up to the Latest Practicable Date, 100 fully-paid shares had been allotted and issued to our Company, and IBI Corporate Holdings had been wholly and beneficially owned by our Company.

#### **IBI CS**

On 14 April 2016, IBI CS was incorporated in the BVI to serve as an intermediate offshore holding company for holding interests in the Other HK Companies as part of our Reorganisation. Since the date of its incorporation and up to the Latest Practicable Date, 100 fully-paid shares had been allotted and issued to IBI Group, and IBI CS had been wholly and beneficially owned by IBI Group.

#### **IBI Group**

On 9 May 2011, IBI Group was incorporated in Hong Kong as a holding company of our Group. At incorporation, IBI Group had an issued share capital of HK\$100, which was held as to 60%, 15% and 25% by Mr. Howard, Mr. Smithers and Mr. Haughton, respectively. Prior to August 2013, Mr. Haughton was the managing director of IBI Limited. Mr. Haughton retired from all his positions held in our Group in August 2013. As a result of Mr. Haughton's decision to sell all his shares in IBI Group, on 5 February 2015, a sale and purchase agreement was entered into among Mr. Haughton, Mr. Howard and Mr. Smithers, pursuant to which, Mr. Haughton transferred all of the 12 and 13 shares he held in IBI Group to Mr. Howard and Mr. Smithers at a consideration of HK\$4,704,000 and HK\$5,096,000, respectively. The consideration was determined after arm's length negotiation among the parties with reference to the then net asset value of IBI Group. The transfers of shares were completed on 9 February 2015. Since then and up to 12 May 2016, IBI Group had been owned as to 72% and 28% by Mr. Howard and Mr. Smithers. Since 13 May 2016 and up to the Latest Practicable Date, IBI Group had been wholly owned by IBI Corporate Holdings as a result of certain share transfers that form part of the Reorganisation.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### *Our operating subsidiaries*

#### **IBI Limited**

IBI Limited was incorporated in Hong Kong on 14 April 1997 to serve as a holding and an operating company which principally engages in renovation services in Hong Kong. As at the Latest Practicable Date, IBI Limited had an issued share capital of HK\$10,876,544 divided into 5,438,272 shares.

Immediately prior to April 2007, all of the issued shares in IBI Limited were held by Mr. Haughton and IBI Business Investments Limited (“**IBIBI**”), both being Independent Third Parties.

In April 2007, Mr. Howard, who was then acting as a director of IBI Limited, acquired 1,359,568 shares (equivalent to approximately 25% of the then issued share capital) in IBI Limited at a consideration of HK\$1,500,000 from IBIBI. In November 2008, Mr. Howard further acquired 453,190 shares (equivalent to approximately 8.3% of the then issued share capital) in IBI Limited at a consideration of HK\$500,000 from IBIBI. In October 2009, Mr. Smithers, who was then the senior project manager of IBI Limited, acquired 543,827 shares (equivalent to approximately 10% of the then issued share capital) in IBI Limited at a consideration of HK\$2,000,000 from IBIBI.

After a series of further transfers of shares, in April 2010, Mr. Howard further acquired 1,268,929 shares in IBI Limited from IBIBI and 181,276 shares from Mr. Haughton (together equivalent to approximately 26.6% of the then issued share capital of IBI Limited), at a consideration of HK\$8,280,000 and HK\$1,400,000, respectively. In April 2010, Mr. Smithers further acquired 271,914 shares (equivalent to 5% of the then issued share capital) from Mr. Haughton at a consideration of HK\$1,774,239.

The consideration of each of the aforesaid transfers was determined after arm’s length negotiation between the parties. Immediately upon completion of the aforesaid share transfers, the then issued share capital of IBI Limited was held as to 60%, 15% and 25% by Mr. Howard, Mr. Smithers and Mr. Haughton, respectively.

In January 2012, each of Mr. Howard, Mr. Smithers and Mr. Haughton transferred all the shares they respectively held in IBI Limited to IBI Group at a consideration of HK\$14,633,012.40, HK\$3,658,253.60 and HK\$6,097,088.50, respectively. The consideration was determined after arm’s length negotiation between the parties. The aforesaid share transfers resulted in the relevant shareholders holding their interests in IBI Limited and other subsidiaries of our Company via an investment holding company. Upon completion of the aforesaid share transfers and up to the Latest Practicable Date, IBI Limited had been wholly and beneficially owned by IBI Group.

#### **IBI Macau**

On 11 April 2005, IBI Macau was incorporated in Macau with an issued share capital of MOP25,000. IBI Macau principally engages in fitting-out works in Macau. Prior to 21 March 2013, the issued share capital of IBI Macau was held by IBI Limited, Mr. Haughton, Mr. Howard and Mr. Smithers as to 88%, 4%, 4% and 4%, respectively. On 21 March 2013, the shares held by the four

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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shareholders were all transferred to IBI Group at nominal consideration. The aforesaid share transfers resulted in the relevant shareholders holding their interests in IBI Macau and other subsidiaries of our Company indirectly via one investment holding company. During the Track Record Period and up to the Latest Practicable Date, IBI Macau was wholly and beneficially owned by IBI Group.

### **IBI Projects**

On 1 April 2005, IBI Projects was incorporated in Hong Kong with an issued share capital of HK\$2 divided into 2 shares. IBI Projects principally engages in fitting-out works in Hong Kong. Since its date of incorporation and up to the Latest Practicable Date, IBI Projects had been wholly and beneficially owned by IBI Group.

### **IBI Holdings**

On 9 May 2011, IBI Holdings was incorporated in Hong Kong with an issued share capital of HK\$100 divided into 100 shares. IBI Holdings principally engages in the human resources management of the operating subsidiaries of our Group. At incorporation, IBI Holdings was held as to 60% by Mr. Howard, 25% by Mr. Haughton and 15% by Mr. Smithers. On 13 February 2014, each of Mr. Howard, Mr. Haughton and Mr. Smithers transferred all shares of IBI Holdings held by them to IBI Group at nominal consideration. The aforesaid share transfers resulted in the relevant shareholders holding their interests in IBI Holdings and other subsidiaries of our Company via one investment holding company. Since then and up to the Latest Practicable Date, IBI Holdings had been wholly and beneficially owned by IBI Group.

### ***Other HK Companies***

Other HK Companies comprise IBI Construction, IBI Hong Kong, IBI Design & Build, IBI Contracting, IBI Design & Construction, IBI Technology and IBI Corporate. Each of the Other HK Companies had not commenced any business activities since their relevant dates of incorporation and up to the Latest Practicable Date. Our Group had established the Other HK Companies with a view to cater for possible business expansion. Our Directors are of the view that keeping the Other HK Companies within our Group would ensure that these entities in their registered names would remain available for use by our Group for our future development. As at the Latest Practicable Date, we did not have any plan to expand our business using any of the Other HK Companies. Below are the further details of each of the Other HK Companies.

### **IBI Construction**

On 11 July 2011, IBI Construction was incorporated in Hong Kong with an issued share capital of HK\$2. Since the date of its incorporation and immediately prior to the Reorganisation, IBI Construction was wholly and beneficially owned by IBI Group. As at the Latest Practicable Date, IBI Construction was wholly and beneficially owned by IBI CS. IBI Construction has been declared as a dormant company since March 2012.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### **IBI Hong Kong**

On 11 July 2011, IBI Hong Kong was incorporated in Hong Kong with an issued share capital of HK\$2. Since the date of its incorporation and immediately prior to the Reorganisation, IBI Hong Kong was wholly and beneficially owned by IBI Group. As at the Latest Practicable Date, IBI Hong Kong was wholly and beneficially owned by IBI CS. IBI Hong Kong has been declared as a dormant company since March 2012.

### **IBI Design & Build**

On 11 July 2011, IBI Design & Build was incorporated in Hong Kong with an issued share capital of HK\$2. Since the date of its incorporation and immediately prior to the Reorganisation, IBI Design & Build was wholly and beneficially owned by IBI Group. As at the Latest Practicable Date, IBI Design & Build was wholly and beneficially owned by IBI CS. IBI Design & Build has been declared as a dormant company since March 2012.

### **IBI Contracting**

On 11 July 2011, IBI Contracting was incorporated in Hong Kong with an issued share capital of HK\$2. Since the date of its incorporation and immediately prior to the Reorganisation, IBI Contracting was wholly and beneficially owned by IBI Group. As at the Latest Practicable Date, IBI Contracting was wholly and beneficially owned by IBI CS. IBI Contracting has been declared as a dormant company since March 2012.

### **IBI Design & Construction**

On 11 July 2011, IBI Design & Construction was incorporated in Hong Kong with an issued share capital of HK\$2. Since the date of its incorporation and immediately prior to the Reorganisation, IBI Design & Construction was wholly and beneficially owned by IBI Group. As at the Latest Practicable Date, IBI Design & Construction was wholly and beneficially owned by IBI CS. IBI Design & Construction has been declared as a dormant company since March 2012.

### **IBI Technology**

On 16 February 2001, IBI Technology was incorporated in Hong Kong with an issued share capital of HK\$2 beneficially held as to 50% by each of Yaringa Investments Limited and Vintex Limited, both of which are Independent Third Parties. After a series of transfer of shares since its incorporation, IBI Technology was held as to 50% by IBI Limited and 50% by S.I. Nominees (H.K.) (No.3) Limited, an Independent Third Party. On 24 March 2014, IBI Limited acquired all issued share capital of IBI Technology held by S.I. Nominees (H.K.) (No.3) Limited at a nominal consideration of HK\$1. Since then and immediately prior to the Reorganisation, IBI Technology was wholly-owned by IBI Limited. As at the Latest Practicable Date, IBI Technology was wholly and beneficially owned by IBI CS. IBI Technology has been declared as a dormant company since October 2014.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### IBI Corporate

On 1 April 2005, IBI Corporate was incorporated in Hong Kong with an issued share capital of HK\$2 beneficially held as to 100% by IBI Limited. Since the date of its incorporation and immediately prior to the Reorganisation, IBI Corporate was wholly-owned by IBI Limited. As at the Latest Practicable Date, IBI Corporate was wholly and beneficially owned by IBI CS. IBI Corporate has been declared as a dormant company since October 2014.

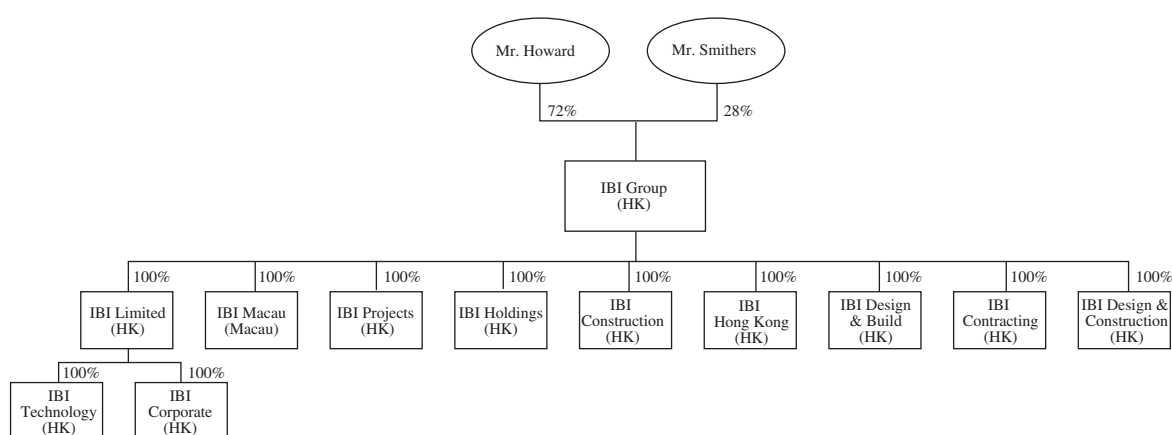
### *Subsidiary deregistered during the Track Record Period*

### IBI Singapore

On 25 March 2009, IBI Singapore was incorporated in Singapore with one issued ordinary share of SGD1 beneficially held by IBI Limited. IBI Singapore was incorporated to carry out fitting-out works in Singapore. In order to better allocate the resources and focus on the development of business in Hong Kong and Macau, IBI Singapore ceased operation in April 2011 and the deregistration of which was subsequently completed in February 2015. Prior to cessation of business in April 2011, IBI Singapore was solvent with a net asset value of approximately SGD43,000 as at 31 March 2011, a profit of approximately SGD69,000 for the period from its incorporation to 31 March 2010, and a loss of approximately SGD26,000 for the year ended 31 March 2011. Our Directors confirm that since its incorporation and immediately prior to its deregistration, IBI Singapore was not involved in any litigation, claims or arbitration proceedings or non-compliance incidents.

### Shareholding structure of our Group immediately prior to the Reorganisation

Immediately prior to the Reorganisation, the shareholding structure of our Group was as follows:



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### REORGANISATION

#### **Incorporation of our Company**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 April 2016. The initial authorised share capital of our Company was HK\$380,000 divided into 37,999,900 ordinary Shares of HK\$0.01 each and 100 B-Shares of HK\$0.01 each. On 14 April 2016, (i) one subscriber's ordinary share was transferred from Elian Nominees (Cayman) Limited, an Independent Third Party, to Brilliant Blue Sky at par value of HK\$0.01, and 647 and 252 fully-paid ordinary Shares were allotted and issued to Brilliant Blue Sky and Breadnutter Holdings, respectively, and (ii) 72 and 28 fully-paid B-Shares were allotted and issued to Brilliant Blue Sky and Breadnutter Holdings, respectively. Since then and prior to the Conversion Date, the ordinary Shares had been owned as to 72% and 28% by Brilliant Blue Sky and Breadnutter Holdings, respectively. Please refer to “— Reorganisation — Transfers of the B-Shares” and “— Reorganisation — Conversion of the B-Shares” for further details of transfers and conversion of B-Shares, respectively.

Following the Conversion Date and up to the Latest Practicable Date, the ordinary Shares had been held as to 64.80%, 25.20%, 4.00%, 2.50%, 2.00% and 1.50% by Brilliant Blue Sky, Breadnutter Holdings, Mr. Lau, Mr. Lui, Mr. Kong and Ms. Chu, respectively.

#### **Incorporation of Brilliant Blue Sky and Breadnutter Holdings**

Brilliant Blue Sky was incorporated in the BVI on 14 April 2016 with 100 issued shares of US\$1 each. Since its incorporation and up to the Latest Practicable Date, Brilliant Blue Sky had been wholly and beneficially owned by Mr. Howard.

Breadnutter Holdings was incorporated in the BVI on 14 April 2016 with 100 issued shares of US\$1 each. Since its incorporation and up to the Latest Practicable Date, Breadnutter Holdings had been wholly and beneficially owned by Mr. Smithers.

#### **Incorporation of IBI Corporate Holdings and IBI CS**

On 14 April 2016, we incorporated IBI Corporate Holdings and IBI CS as offshore intermediate holding companies of our subsidiaries. For details, see “— History and corporate development — Our subsidiaries — Our intermediate holding companies”.

#### **Transfers of shares of the Other HK Companies**

To streamline our corporate structure by grouping together the Other HK Companies, which has been declared dormant as at the Latest Practicable Date, IBI Group, as transferor, transferred all of the issued shares it held in each of the Other HK Companies (other than IBI Technology and IBI Corporate), and IBI Limited, as transferor, transferred all of the issued shares it held in each of IBI Technology and IBI Corporate, to IBI CS, as transferee. The consideration for the aforesaid transfers

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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of shares in each of the Other HK Companies was HK\$2, which was equivalent to the total issued share capital of each of the Other HK Companies. The share transfers were completed on 12 May 2016. Upon completion of the aforesaid transfers and up to the Latest Practicable Date, each of the Other HK Companies is wholly and beneficially owned by IBI CS.

### Transfer of shares of IBI Group

On 12 May 2016, Mr. Howard and Mr. Smithers transferred 72 and 28 shares, respectively, in IBI Group to IBI Corporate Holdings at a total consideration of HK\$72 and HK\$28 in cash, respectively. Such considerations were determined based on the total issued share capital of IBI Group. The share transfers were completed on 13 May 2016. Upon completion of the aforesaid transfers and up until the Latest Practicable Date, IBI Group had been wholly and beneficially owned by IBI Corporate Holdings.

### Transfers of the B-Shares

In order to encourage long term commitment to our Group, each of Brilliant Blue Sky and Breadnbuter Holdings transferred B-Shares to members of the senior management of our Group as detailed below.

<u>Transferor</u>	<u>Transferee</u>	<u>No. of B-Shares transferred</u>	<u>Consideration</u>	<u>Payment date</u>	<u>Use of proceeds</u>	<u>Shareholding in the Company after the conversion of B-Shares and upon Listing</u>
Breadnbuter Holdings	Mr. Lau	28	HK\$5,572,000	12 May 2016	N/A	2.10%
Brilliant Blue Sky	Mr. Lau	12	HK\$2,388,000	12 May 2016	N/A	0.90%
Brilliant Blue Sky	Mr. Lui	25	HK\$4,975,000	13 May 2016	N/A	1.88%
Brilliant Blue Sky	Mr. Kong	20	HK\$3,980,000	11 May 2016	N/A	1.50%
Brilliant Blue Sky	Ms. Chu	15	HK\$2,985,000	11 May 2016	N/A	1.12%

The above share transfers were completed on 17 May 2016. The considerations of the aforesaid transfers were determined with reference to the fair value of 100% equity interest in IBI Group (which has taken into consideration the level of value being non-controlling and non-marketable interest value) of HK\$199.6 million as at 31 March 2016 based on a valuation conducted by an independent valuer. Since the considerations were based on the fair value of the B-Shares transferred and these share transfers were not meant as compensation for the services of the B-Shareholders rendered to our Group, the transfers of B-Shares did not constitute share-based payments under HKFRS 2 “Share-based Payment”. Our Company, Brilliant Blue Sky, Breadnbuter Holdings and each of the B-Shareholders entered into the Shareholders Agreement on 17 May 2016 governing their rights in our Company before the Listing. Pursuant to the Shareholders Agreement, holders of the B-Shares have the right to receive dividend but they do not have the right to receive notice of, attend at and vote as a shareholder at the general meeting of our Company nor do they have any special rights. The transfer of ordinary Shares and B-Shares shall be subject to the right of first refusal of the holder of ordinary Shares. In the event that any B-Shareholder ceases to be an employee of our Group during the term

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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of the Shareholders Agreement, such B-Shareholder shall offer to sell to Brilliant Blue Sky and Breadnutter Holdings all of the B-Shares then held by him/her within six months from the date of termination of his/her employment contract on the terms and conditions to be agreed among them. The Shareholders Agreement shall be terminated upon, among others, the Listing. Upon completion of the aforesaid transfers and prior to the conversion of B-Shares, (i) our ordinary Shares were owned as to 72% and 28% by Brilliant Blue Sky and Breadnutter Holdings, respectively; and (ii) the B-Shares were owned as to 40%, 25%, 20% and 15% by Mr. Lau, Mr. Lui, Mr. Kong, Ms. Chu, each being a member of the senior management of our Group, respectively.

The investment cost per Share paid by the B-Shareholders is approximately HK\$0.33. Based on the mid-point of the indicative Offer Price range of HK\$0.4 per Offer Share, the discount of the investment cost to the Offer Price is approximately 17.08%.

For the background of each of the B-Shareholders, see “Directors and Senior Management — Senior management”.

Given that (i) no special rights are granted to the B-Shareholders; (ii) our Directors confirmed that the terms of the transfers of B-Shares (including the consideration) were determined on arm’s length basis; and (iii) the transfers of B-Shares were completed on 17 May 2016, which is more than 28 clear days before the date of submission of the application for the Listing, the Sole Sponsor is of the view that the transfers of the B-Shares were conducted in a fair and orderly manner and upon conversion of B-Shares, the B-Shareholders are not exposed to risks significantly different from those assumed by investors investing in the Share Offer. As such, the Sole Sponsor confirms that the transfers of B-Shares are in compliance with the guidance letters HKEx-GL29-12 (January 2012), HKEx-GL44-12 (October 2012) and HKEx-GL43-12 (October 2012) (Updated in July 2013) issued by the Stock Exchange.

### **Conversion of the B-Shares**

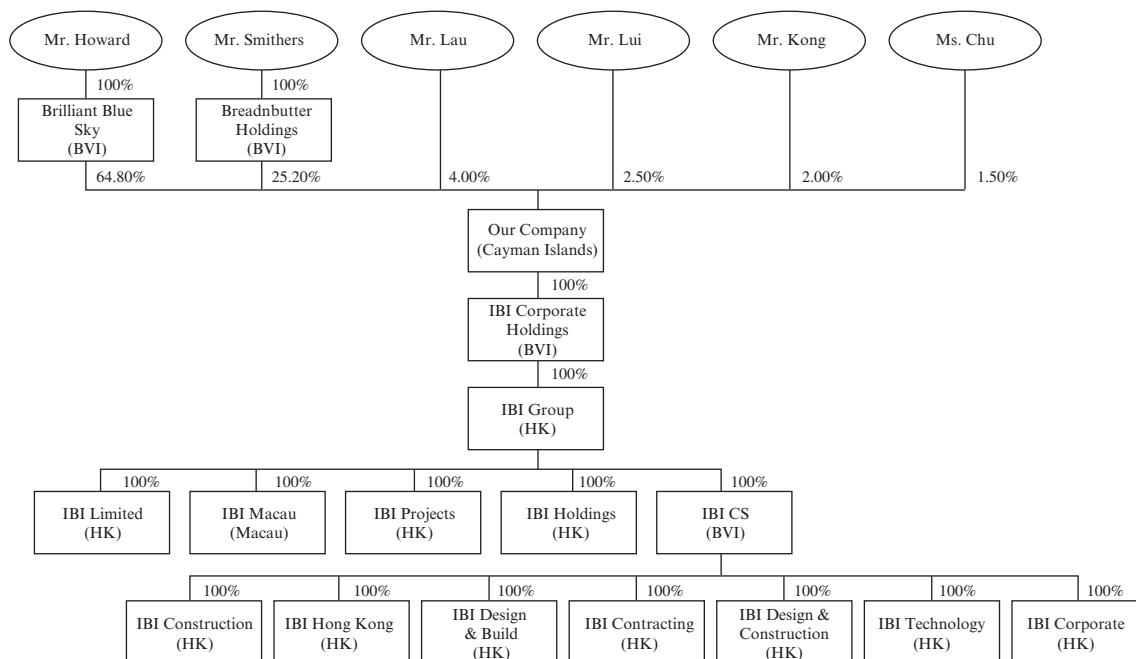
On the Conversion Date, being 19 September 2016, pursuant to the Shareholders Agreement, all the B-Shares have been converted to our ordinary Shares on a one-for-one basis. The ordinary Shares issued following the conversion of B-Shares are not subject to any lock-up after Listing.

### **Change in authorised share capital of our Company**

Following the Conversion Date, the authorised share capital of our Company has been diminished by the amount of the B-Shares cancelled and then increased to HK\$100,000,000 with 10,000,000,000 Shares of HK\$0.01 each pursuant to the written resolutions of our Shareholders dated 20 September 2016.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding structure of our Group immediately following the completion of the Reorganisation and the Conversion Date, but before the completion of the Share Offer and the Capitalisation Issue:



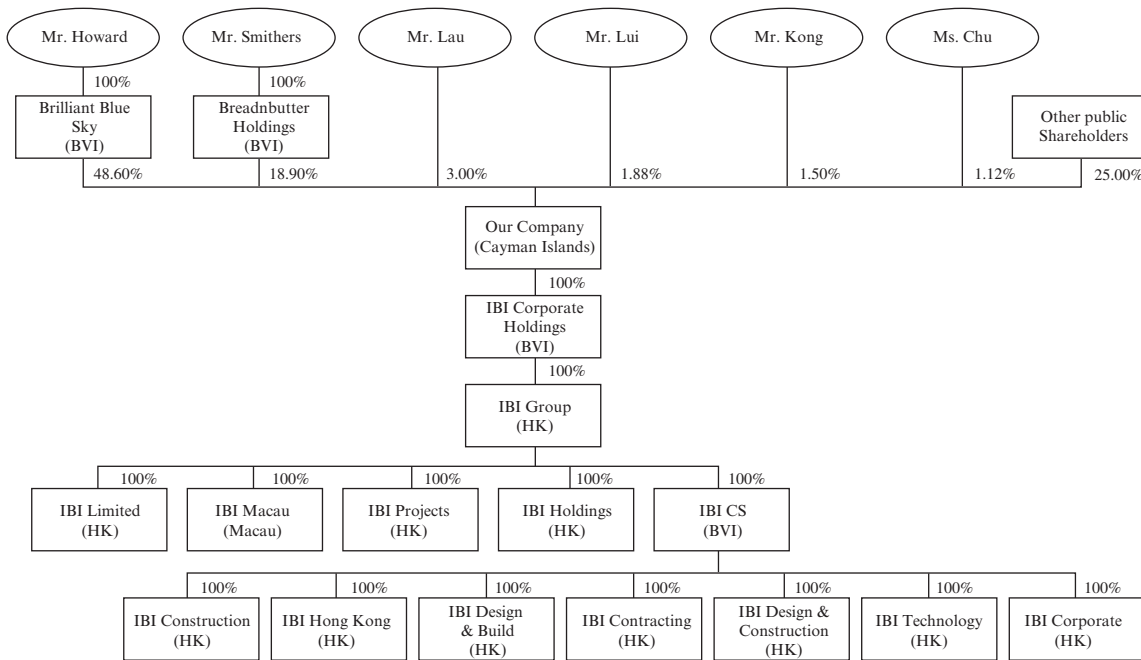
### SHARE OFFER AND CAPITALISATION ISSUE

Conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and apply such sum in paying up in full at nominal value a total of 599,999,000 Shares for allotment and issue to Brilliant Blue Sky, Breadnbuter Holdings and each of the B-Shareholders, in proportion to their respective existing shareholding immediately prior to the completion of the Share Offer. As a result, Brilliant Blue Sky, Breadnbuter Holdings, Mr. Lau, Mr. Lui, Mr. Kong, Ms. Chu and the public will hold approximately 48.60%, 18.90%, 3.00%, 1.88%, 1.50%, 1.12% and 25.00%, respectively, of the enlarged share capital of our Company immediately upon the completion of the Share Offer and the Capitalisation Issue, assuming that any options granted under the Share Option Scheme are not exercised.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding structure of our Group following completion of the Share Offer and the Capitalisation Issue:



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## BUSINESS

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### OVERVIEW

Established in 1997, we are a building contractor focusing on providing renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau. Our two main types of projects are (i) fitting-out projects; and (ii) alteration and addition projects. Our role as a main contractor entails the overall responsibility of all aspects of project management, coordination and implementation and working closely with our customers and their consultant team, including project managers, quantity surveyors and architects. We engage subcontractors from different trades for works which are generally labour intensive or require specific skill sets so that we can focus on our core competencies. For the three years ended 31 March 2016, our revenue was approximately HK\$456.8 million, HK\$539.5 million and HK\$661.1 million, respectively.

According to the Industry Report, we ranked second in the renovation service industry in Hong Kong in 2015 in terms of revenue, with a market share of approximately 2.78% <sup>(Note)</sup>.

With extensive experience in the industry, we have amassed a strong customer base and established stable relationships with reputable organisations and commercial enterprises in Hong Kong and Macau.

### Our business model

Our business model is premised on the provision of renovation services, covering (i) fitting-out; and (ii) alteration and addition projects, primarily as a main contractor.

#### *Fitting-out projects*

Our fitting-out works are, in general, undertaken with respect to the interior spaces of the property to accommodate the business needs of our customers and conducted before occupation or commencement of a business to be conducted at the premises. The scope of our works differs depending on the use of premises. We focus on providing fitting-out works for commercial premises which are used for corporate, leisure and hospitality, food and beverage, and retail and other purposes. See “— Scope of our services — Fitting-out projects”.

#### *Alteration and addition projects*

We are a registered general building contractor with the Buildings Department. We provide alteration and addition works for industrial properties and commercial premises (including hotels and office buildings). See “— Scope of our services — Alteration and addition projects”.

*Note:* According to the Industry Report, our revenue for the year ended 31 March 2016 derived from projects in Hong Kong was used in generating our ranking and market share in 2015.

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## BUSINESS

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Our role as a main contractor entails the overall responsibility for all aspects of project management, coordination and implementation by providing or procuring the necessary materials, labour and expertise required for and controlling the quality aspects of the renovation projects. We engage subcontractors from different trades for works which are generally labour intensive or require specific skill sets so that we can focus on our core competencies. We maintain a list of internally approved subcontractors. As at the Latest Practicable Date, there were 415 subcontractors on our list of internally approved subcontractors. We adopt ISO 9001 (quality management) systems to govern the works undertaken by our subcontractors to ensure timely delivery of services and conformity with customers' standards. Our five largest subcontractors accounted for approximately 26.5%, 25.9% and 28.8% of our total purchase for the three years ended 31 March 2016, respectively.

During the Track Record Period, for around 90.0% of our projects in terms of revenue, we entered into service contracts as a main contractor with property developers, owners or lessees directly. For the remaining projects, we entered into subcontracts with the main contractors who were responsible for the overall implementation of the property development to execute the renovation works.

We obtain most of our projects through a tender process. Some customers may send us requests for quotations in seeking our service. Our decision to pursue a tender is affected by various factors, such as profitability prospects, reputation and credibility of customers, nature of project, terms of tender documents, availability of resources, and requirements for the provision of performance bonds, as well as general economic factors. Depending on the relevant contract terms, we receive progress payments from customers on a monthly basis and our customers have the right to hold retention money of typically 5.0% of the total contract sum, the first half of which is usually released upon the issue of the certificate of practical completion and the remaining portion is usually released upon the issue of the certificate of making good defects after the expiry of the defect liability period, typically a period of 12 months after the issue of practical completion certificate.

We are committed to risk management, health and safety standards, quality assurance and environmental impact control. We have been accredited with ISO 9001 (quality management), ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety) certifications. Our Directors confirm that we did not encounter any material work-related incidents during the Track Record Period and up to the Latest Practicable Date (see “— Occupational health and safety”). Our Directors confirm that we did not encounter any severe or fatal accidents during the Track Record Period and up to the Latest Practicable Date.

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For the three years ended 31 March 2016, our total revenue amounted to approximately HK\$456.8 million, HK\$539.5 million and HK\$661.1 million, respectively. For the same period, we completed a total of 59 projects and 18 projects in Hong Kong and Macau, respectively. The table below shows a breakdown of our revenue by geographical location during the Track Record Period.

	Year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Hong Kong	410,287	89.8%	418,911	77.7%	609,751	92.2%
Macau	<u>46,544</u>	<u>10.2%</u>	<u>120,555</u>	<u>22.3%</u>	<u>51,331</u>	<u>7.8%</u>
<b>Total</b>	<u>456,831</u>	<u>100.0%</u>	<u>539,466</u>	<u>100.0%</u>	<u>661,082</u>	<u>100.0%</u>

Our revenue and profit experienced stable growth during the Track Record Period. For the three years ended 31 March 2016, our net profit amounted to approximately HK\$14.6 million, HK\$22.4 million and HK\$28.3 million, respectively. We believe that such growth is primarily attributable to our established reputation and proven track record, efficient project implementation and management, effective cost control system, accredited quality, safety and environmental control systems and experienced and dedicated management team.

### COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths as set out below have driven our growth in revenue and gross profits and distinguish us from our competitors.

#### Established reputation and proven track record

We were established in Hong Kong in 1997 and have extensive experience in the industry. According to the Industry Report, we ranked second in the renovation service industry in Hong Kong in 2015 in terms of revenue, with a market share of approximately 2.78%<sup>(Note)</sup>. Leveraging on our long operating history, we believe that we have built up a track record of completing projects on a timely basis and being able to consistently meet our customer's expectations and requirements. Throughout our years of operation, we have established and maintained stable relationships with some of our major customers, comprising mainly reputable organisations and commercial enterprises in the private sector. We have been providing renovation services to Customer A, a horse racing and betting operator in Hong Kong with over 130 years of operating history and our largest customer for each of the years ended 31 March 2014 and 2016 and second largest customer for the year ended 31 March 2015 since 2011, and completed 13 projects for it during the Track Record Period. We completed a total of 41 projects for our five largest customers during the Track Record Period. We believe our proven track

*Note:* According to the Industry Report, our revenue for the year ended 31 March 2016 derived from projects in Hong Kong was used in generating our ranking and market share in 2015.

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## BUSINESS

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record and strong relationships with our customers enable us to compete successfully with our competitors, which is particularly important when we compete with other contractors to receive invitations to tenders and contract award based on past performance, industry reputation and reliability.

### **Implementation, management and execution expertise in renovation projects**

We act as the main contractor in the vast majority of our renovation projects of different levels of complexity. We have been involved in a variety of fitting-out and alteration and addition projects for different types of premises in the private sector, including offices, clubhouses, hotels, casinos, restaurants and bars, shops and shopping malls, and industrial properties. Utilising our long years of experience in such projects, we have developed a project tendering, procurement and contracting strategy to suit the nature of the particular project challenges. We have developed a systematic tender assessment process under which our tendering department would estimate profitability prospects of the projects based on various factors including potential costs structure, human resources required, payment terms and completion schedule. We adopt a cost estimate plus mark-up pricing strategy and consider the implementation of our tender assessment process critical to ensure our pricing objectives are met. In addition, leveraging on our experience with different types of renovation projects and premises in the private sector and our connections with our suppliers, we are able to control budget and scheduling, accommodate customer's changing requirements and preferences during the course of the projects and swiftly resolve procurement and implementation issues. We adopt a well-focused project implementation and resources allocation style and are successful in completing projects which require fast implementation time. For example, Customer J, our second largest customer for the year ended 31 March 2016 which is also a new customer (being customer who had not entered into contracts with us in the two years ended 31 March 2015), awarded us the contract for its phase two office fitting-out project involving eight floors of the office tower, which required completion within five months upon our taking possession of the premises after we had substantially completed its phase one office fitting-out project involving 12 floors of the office tower, which required completion within around five months upon our taking possession of the premises. We believe our expertise in implementing, managing and executing our renovation projects systemically and efficiently is a significant factor distinguishing us from our competitors.

### **Commitment to the management of risk, quality, health, safety and environmental protection**

We have a long-term commitment to the management of risk, quality, health, safety and environmental protection. Our approach is supported by our guiding values and endorsed by our various certifications and internal operating procedures. We have been accredited with ISO 9001 (quality management), ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety) certifications since May 2007, December 2012 and December 2012, respectively. To control our risk exposure on quality, health, safety and the environmental protection aspects, we adopt and implement procedures regarding (i) accountability and traceability in the supply chain by introducing a strictly documented tracking system for our processes such as construction procedure checks, quality control of subcontractors and suppliers of materials; (ii) development of project

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## BUSINESS

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implementation procedures that produce less waste including considering environmental criteria in the selection of new implementation procedures; (iii) assessment of subcontractors and suppliers of materials in terms of environmental and quality criteria; and (iv) regularly updating our safety and quality measures applicable to our and our subcontractors' staffs.

We believe that our certifications will enhance our public image, credibility and customers' confidence in us. Some tenders have included the requirements for such certifications and we believe our certified status will bring us more business opportunities and uphold our competitiveness. Some of our customers use workplace safety or environmental compliance as part of their assessment criteria for their service providers. Thus, we believe a good compliance track record and management system would secure a competitive position in obtaining contracts from those customers. We consider the preventive and monitoring measures and controls we put in place are adequate to protect us from the operational risks and liability we face. Our Directors confirm that we did not experience any material dispute with our customers, subcontractors and suppliers of materials over quality issue or delay in completing our projects nor occurrence of any fatal or severe accidents involving our or our subcontractors' workers during the Track Record Period and up to the Latest Practicable Date (see “—Occupational health and safety”).

### **Stable business relationships with our suppliers**

We have established and maintained stable relationships with most of our major suppliers. We do not enter into long-term agreement with our subcontractors and suppliers of materials. As at the Latest Practicable Date, there were 415 subcontractors on our list of internally approved subcontractors. We believe that the stability in relationships with our suppliers, the absence of binding long-term contractual commitments with them (the existence of which may restrict our ability to procure from a larger pool of suppliers) as well as the established connections and access to our internally approved subcontractors enable us to secure the availability of subcontractors and suppliers of materials from different trades in a timely manner, to maintain the consistency in quality of our services, and to enjoy bargaining power and flexibility when procuring materials and services.

### **Experienced and efficient management team and key personnel**

Our executive Directors and senior management team have extensive industry knowledge, project management experience and industry expertise in the renovation business as well as other peripheral operations. Mr. Howard and Mr. Smithers, being our executive Directors, have over nine years and over 21 years experience in the construction industry, respectively. Mr. Lau (our tendering director), Mr. Lui (our regional director of Macau operations) and Mr. Kong (our commercial director) have over 21 years, over 16 years and over 14 years experience in property development and fitting-out industry, the construction industry and the field of quantity surveying, respectively. For the background of our Directors and of our senior management, see “Directors and Senior Management”. We believe that the collective knowledge, experience and expertise of our senior management and key personnel will facilitate the creation of competitive tenders in a timely manner, and are essential to us in securing new business, and the efficient and timely implementation and supervision of our works.

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## BUSINESS

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### OUR BUSINESS STRATEGIES

We aim to expand our scale of business and strengthen our market position in the renovation service industry in Hong Kong and Macau.

#### **Further strengthen our market position in the fitting-out industry in Hong Kong**

We plan to further strengthen our market position in the fitting-out industry in Hong Kong by focusing on large-size and high-end fitting-out projects for commercial premises. According to the Industry Report, the demand for offices in Hong Kong is expected to be high, due to the prospering professional service industries in Hong Kong as well as the Hong Kong Government's efforts to increase the supply of offices through land sales program and/or redevelopment projects. On the other hand, according to the Industry Report, it is also expected that the supply of retail premises in Hong Kong will stay strong in recent future.

During the Track Period Record, we completed 52 fitting-out projects in Hong Kong. Leveraging on our established reputation and proven track record, our Directors believe that we are well positioned for bidding such projects in Hong Kong in the coming years.

#### **Further expand our alteration and addition business in Hong Kong**

We plan to further expand our alteration and addition business in Hong Kong, with a particular focus on projects involving wholesale conversion of industrial buildings. According to the Industry Report, in October 2009, the Hong Kong Government announced a set of revitalisation measures to facilitate the redevelopment and wholesale conversion of older industrial premises, with a view to provide more floor space for non-industrial use to meet changing social and economic needs. In its 2015 Policy Address, the Hong Kong Government re-emphasised its plans to revitalise old and dilapidated buildings by implementing Self-initiated Redevelopment Projects and the Demand-led Redevelopment Project Pilot Scheme, and thereby encouraging the citizens to submit alteration and addition work plans to enhance the quality and efficiency of the buildings. In its 2016 Policy Address, the Hong Kong Government stated that it would continue to promote the conversion of Kowloon East into the second core business district. Such conversion includes the progressive implementation of the re-provisioning of the existing government facilities in the "Kowloon Bay Action Area" and the commencement of a study on the "Kwun Tong Action Area", to release more land for commercial use. Therefore, it is expected that revitalisation of industrial buildings will become one of the driving forces in the alteration and addition industry in Hong Kong. For details, see "Industry Overview — Market growth drivers for renovation service industry in Hong Kong — Favourable government policies".

During the Track Record Period, we completed seven alteration and addition projects in Hong Kong, out of which four had individual notional contract sum of not less than HK\$10 million. One of these projects was for wholesale conversion of an industrial building for office use and the amount of revenue recognised during the Track Record Period was approximately HK\$163.7 million. For details, see "— Scope of our services — Alteration and addition projects". We had two alteration and addition projects on hand with an individual notional contract sum of not less than HK\$10.0 million as at the

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Latest Practicable Date. In addition, our executive Directors and senior management possess extensive experience in the relevant industry. Leveraging on market position and our industry and management expertise, our Directors believe that we will benefit from the new government measures and are well positioned for obtaining such new projects in Hong Kong in the coming years.

### **Solidify our market position in the renovation service industry in Macau**

According to the Industry Report, with further implementation of the PRC's opening up policy such as the internationalisation of RMB and the potential expansion of Mainland and Hong Kong Closer Economic Partnership Arrangement to include Macau, Macau is expected to breed new business opportunities, which will attract an increasing number of the PRC companies to invest and set up offices, driving up the demand for commercial buildings and offices. In addition, according to the Industry Report, the Macau Government has increased efforts to support SME (small and medium enterprise), community consumption activities and exhibition and auction industries. Driven by these factors, the revenue of Macau's renovation service industry is expected to gradually rise from 2016 to 2020 at a CAGR of approximately 9.7%.

We commenced our renovation business in Macau in 2005. During the Track Record Period, we completed 18 projects (all of them being fitting-out projects) in Macau. Leveraging on our proven track record, experience and expertise in renovation works in Macau, our Directors believe that we will be able to capitalise the market opportunity in Macau.

### **Continue to emphasise and maintain standards of project implementation**

Our Directors recognise that the maintenance of safety standard, quality control and environmental protection is vital in enhancing our reputation in renovation service industry. As such, we will continue to apply our accredited management systems to further ensure quality implementation of our projects. In addition, we plan to arrange more frequent on-site inspections to ensure our compliance with the requirements under such management systems. We also plan to increase our professional and skilled staff (such as quantity surveyors, accounting staff, safety officers, working drawing staff and staff for tendering department). We believe that our focus on the quality of works and services rendered to customers can help enhance our brand. We will also continue to proactively manage our current customer relations, expand our customer base and enhance customer loyalty.

### **Adhere to prudent financial management to ensure sustainable growth and capital sufficiency**

We will continue to closely monitor our capital and cash positions, and carefully manage key measures such as project costs, cash flows and other operating expenses. In the process of identifying and capturing emerging opportunities, we will continue to focus on projects on a selective and prudent basis which are profitable and of high-profile in nature.

We will also continue to focus on our internal control system to ensure adequate cash flow for our ongoing capital requirements, and to achieve cost efficiency by streamlining our operation processes.



### SCOPE OF OUR SERVICES

#### **Fitting-out projects**

We provide fitting-out services for different types of premises in the private sector, including offices, clubhouses, hotels and casinos, restaurants and bars, shops and shopping malls in Hong Kong and Macau. Our fitting-out works are, in general, undertaken with respect to the interior spaces of the property to accommodate the business needs of our customers. The scope of our works could differ depending on the use of premises. As a fitting-out contractor, we are responsible for overall project management, coordination and implementation by engaging subcontractors from different trades for their services and labour, providing or procuring the necessary materials from our suppliers of materials and providing expertise such as controlling the quality aspects of the projects and carrying out corresponding project management.

Our fitting-out services mainly comprise (i) base plant and common area works such as fitting out main receptions, lobbies, staircases, toilets, and car parkings, etc.; (ii) ceiling works such as works for suspended or featured gypsum ceiling; (iii) floor works covering built-in carpentry (millworks), stone and marble works such as granite slab or timber flooring works and raised floor works; (iv) wall and window works covering plastering works, steel and metal works, painting works, wall panelling and glazing works; (v) services and utilities covering M&E (mechanical & electrical) works, HVAC (heating, ventilating, and air conditioning) installation, ICT (information and communications technology) equipment installation, plumbing, drainage and gas piping system, fire services installation, building management system and security system; and (vi) other works covering partitions, joinery works, internal surface and final finishes, installation of sanitary fittings and wares, fixtures and equipment, furniture soft furnishings and accessories such as lightings, blinds and artworks.

Our fitting-out services can take a range of forms to meet the needs of a particular market. Depending on the use of the premises, our services include:

#### *Corporate projects*

We provide fitting-out services for offices for corporate use, such as banks, accounting firms and law firms. Our work scope generally includes installation and fitting-out of private office rooms, open office areas, reception areas, meeting rooms and pantry areas as well as installation of specialist facilities in meeting rooms.

#### *Leisure and hospitality projects*

We provide fitting-out services for premises for leisure and hospitality use, such as clubhouses, casinos and hotels. Our work scope generally includes installation and fitting-out of back of house areas, internal staircases, patios, spas, functional rooms such as cooler rooms, storage rooms, training rooms and casino betting rooms as well as installation of decorative light fitting, recreational facilities in outdoor areas and other customised dining, gaming and entertainment facilities.

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### *Food and beverage projects*

We provide fitting-out services for premises for food and beverage use, such as restaurants, cafes and bars. Our work scope generally includes installation and fitting-out of dining, drinking and kitchen areas, as well as installation of decorative light fitting.

### *Retail projects*

We provide fitting-out services to premises for retail use, such as shops and shopping malls and other types of retail spaces, such as show room. Our work scope generally includes installation of shopfront, security shutter system, signature and special lighting and display facilities, shopping mall renovation works and decorative lighting.

### *Others*

We perform general fitting-out works for other types of premises, such as medical centres and educational premises.

### **Alteration and addition projects**

We are a registered general building contractor with the Buildings Department. We provide alteration and addition works for industrial properties, commercial premises (including hotel and office buildings), medical facilities and logistics centres. Our alteration and addition works primarily consist of demolition, structural alteration, upgrading and fitting-out works; changes in facilities configuration; fabrication, modification, removal or installation of hardware and equipment; replacement of exterior claddings; adding or renovation of lift shafts; relocation or removal of partitions, doors and windows; changes in type of finishes and flooring materials; and other works that upgrade the general condition of buildings and their facilities.

We participate in wholesale conversion projects which involve conversion of industrial buildings. In February 2015, we completed a wholesale conversion project with a notional contract sum of approximately HK\$161.1 million, which involved the conversion of a 12-floor industrial building in Kwun Tong, Kowloon for office use. The scope of our works covers works for carpark area; the modification and adding of lift shafts and lifts, floor, wall and ceiling finished works at all floors and flat roofs; as well as the external wall and structure modification works.

### **OUR PROJECTS**

During the Track Record Period, we completed a total of 70 fitting-out projects and seven alteration and addition projects. Among these projects, 27 fitting-out projects and four alteration and addition projects had individual notional contract sum of not less than HK\$10.0 million, respectively.

## BUSINESS

### Type of projects

The table below sets forth our revenue by type of projects based on the use of premises during the Track Record Period.

	Year ended 31 March					
	2014		2015		2016	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Fitting-out projects						
- Corporate	130,649	28.6%	130,485	24.2%	265,898	40.2%
- Leisure and hospitality	114,074	25.0%	125,625	23.3%	37,330	5.7%
- Food and beverage	99,541	21.8%	122,077	22.6%	143,391	21.7%
- Retail and others <sup>(Note)</sup>	<u>37,339</u>	<u>8.1%</u>	<u>3,557</u>	<u>0.7%</u>	<u>76,012</u>	<u>11.5%</u>
<b>Sub-total</b>	381,603	83.5%	381,744	70.8%	522,631	79.1%
Alteration and addition projects	<u>75,228</u>	<u>16.5%</u>	<u>157,722</u>	<u>29.2%</u>	<u>138,451</u>	<u>20.9%</u>
<b>Total</b>	<u>456,831</u>	<u>100.0%</u>	<u>539,466</u>	<u>100.0%</u>	<u>661,082</u>	<u>100.0%</u>

*Note:* Others mainly include fitting-out projects for medical centre and educational premises.

### Five largest projects

The table below sets forth our revenue attributable to our five largest projects in terms of revenue recognised for the Track Record Period.

	Year ended 31 March		
	2014	2015	2016
	<i>(HK\$'000, except for %)</i>		
Revenue from the largest project in terms of revenue recognised	72,225.9	153,987.9	157,300.0
% of total revenue	15.8%	28.5%	23.8%
Revenue from the five largest projects in terms of revenue recognised	234,491.6	359,885.4	419,121.3
% of total revenue	51.3%	66.7%	63.4%

**Completed projects and projects on hand**

***Fitting-out projects***

***Projects completed during the Track Record Period***

During the Track Record Period, we completed a total of 70 fitting-out projects in Hong Kong and Macau. Amongst these projects, 27 projects had individual notional contract sum of not less than HK\$10.0 million, and in respect of which revenue of approximately HK\$324.2 million, HK\$315.5 million and HK\$373.3 million was recognised for the three years ended 31 March 2016, respectively, representing approximately 71.0%, 58.5% and 56.5% of our total revenue, respectively. The table below sets forth details of our fitting-out projects completed during the Track Record Period with an individual notional contract sum of not less than HK\$10.0 million.

No.	Customer	Location of project	Project type based on use of premises	Services provided	Notional contract sum <sup>(1)</sup>	Amount of revenue recognised for the year ended 31 March <sup>(1)</sup>			Total revenue recognised for the Track Record Period	Commencement date <sup>(2)</sup>	Actual completion date <sup>(3)</sup>
						2014	2015	2016			
<i>Hong Kong</i>											
1.	Customer A	Happy Valley, Hong Kong Island	Food and beverage	Fitting-out works for restaurant and kitchen of clubhouse	13,773.5	11,318.9	—	165.9	11,484.8	February 2013	May 2013
2.	Customer A	Sha Tin, New Territories	Leisure and hospitality	Fitting-out works for entrance, access road and carparking areas of clubhouse	10,799.0	10,388.9	2.0	(2.0)	10,388.9	July 2013	August 2013
3.	Customer A	Happy Valley, Hong Kong Island	Food and beverage	Fitting-out works for member box of racecourse	17,191.3	15,325.1	—	2,198.5	17,523.6	July 2013	August 2013

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No.	Customer	Location of project	Project type based on use of premises	Services provided	Notional contract sum <sup>(1)</sup>	Amount of revenue recognised for the year ended 31 March <sup>(1)</sup>			Total revenue recognised for the Track Record Period	Commencement date <sup>(2)</sup>	Actual completion date <sup>(3)</sup>
						2014	2015	2016			
					(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)			
4.	A hotel operator	Central, Hong Kong Island	Food and beverage	Fitting-out works for basement and ground floor of hotel	26,967.5	25,558.1	967.1	1,104.2	27,629.4	April 2013	August 2013
5.	Customer A	Sai Kung, New Territories	Leisure and hospitality	Fitting-out works for administration building	84,408.5	66,345.4	4,036.8	—	70,382.2	February 2013	September 2013
6.	Customer B	Kwai Hing, Kowloon	Corporate	Fitting-out works for office	62,429.0	72,225.9	872.0	—	73,097.9	July 2013	October 2013
7.	Customer A	Sha Tin, New Territories	Food and beverage	Fitting-out works for member box of racecourse	42,411.8	38,529.0	9,580.3	—	48,109.3	August 2013	December 2013
8.	An educational institution	Sai Kung, New Territories	Others	Fitting-out works for school	14,044.9	15,684.9	(5.9)	—	15,679.0	June 2013	December 2013
9.	A technology company	Causeway Bay, Hong Kong Island	Corporate	Fitting-out works for office	12,850.0	13,775.1	103.8	120.0	13,998.9	October 2013	December 2013
10.	Customer A	Fanling, New Territories	Leisure and hospitality	Fitting-out works for chalets of clubhouse	34,806.9	18,174.9	21,411.1	—	39,586.0	January 2014	June 2014
11.	Customer I	Wan Chai, Hong Kong Island	Food and beverage	Fitting-out works for restaurant of convention and exhibition centre	34,804.2	2,289.7	32,510.3	898.0	35,698.0	March 2014	June 2014

## BUSINESS

No.	Customer	Location of project	Project type based on use of premises	Services provided	Notional contract sum <sup>(1)</sup>	Amount of revenue recognised for the year ended 31 March <sup>(1)</sup>			Total revenue recognised for the Track Record Period	Commencement date <sup>(2)</sup>	Actual completion date <sup>(3)</sup>
						2014	2015	2016			
						(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)		
12.	A hotel operator	Central, Hong Kong Island	Corporate	Fitting-out works for meeting room of hotel	13,338.1	—	11,414.5	191.6	11,606.1	June 2014	August 2014
13.	Customer A	Happy Valley, Hong Kong Island	Food and beverage	Fitting-out works for public stand and stable bend of racecourse	53,788.1	—	53,888.1	5,771.4	59,659.5	June 2014	October 2014
14.	Customer H	Central, Hong Kong Island	Corporate	Fitting-out works for office of bank's headquarters	32,000.0	—	27,585.9	1,542.5	29,128.4	September 2014	January 2015
15.	Customer H	Shek Mun, New Territories	Corporate	Fitting-out works for training centre in office building	38,490.0	—	38,699.1	5,110.7	43,809.8	October 2014	January 2015
16.	Customer H	Tai Kok Tsui, Kowloon	Corporate	Fitting-out works for archive centre in office building	11,928.0	—	10,735.2	1,192.8	11,928.0	November 2014	February 2015
17.	Customer A	Sha Tin, New Territories	Corporate	Fitting-out works for canteen and coffee corner of communication and technology centre	31,244.7	—	2,697.2	29,103.6	31,800.8	March 2015	June 2015
18.	A motor car manufacturer	Wan Chai, Hong Kong Island	Retail	Fitting-out works for car showroom	16,000.0	—	1,829.7	11,199.7	13,029.4	March 2015	July 2015

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No.	Customer	Location of project	Project type based on use of premises	Services provided	Notional contract sum <sup>(1)</sup>	Amount of revenue recognised for the year ended 31 March <sup>(1)</sup>			Total revenue recognised for the Track Record Period	Commencement date <sup>(2)</sup>	Actual completion date <sup>(3)</sup>
						2014	2015	2016			
					(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)			
19.	Customer A	Happy Valley, Hong Kong Island	Food and beverage	Fitting-out works for public stand, toilet and lobby of racecourse	36,442.7	—	38,362.7	38,362.7	June 2015	August 2015	
20.	Customer A	Happy Valley, Hong Kong Island	Food and beverage	Fitting-out works for restaurant and cafe of racecourse	58,140.3	—	4,069.8	52,270.4	April 2015	August 2015	
21.	Customer A	Wan Chai, Hong Kong Island and Yau Ma Tei, Kowloon	Retail	Fitting-out works for off-racecourse betting branches	15,209.5	—	19,059.5	19,059.5	May 2015	November 2015	
22.	Customer L	Admiralty, Hong Kong Island	Others	Fitting-out works for medical examination and surgery centre in office building	47,968.0	—	44,574.9	44,574.9	July 2015	December 2015	
23.	Customer J	Kwun Tong, Kowloon	Corporate	Fitting-out works for office	127,438.4	—	157,300.0	157,300.0	October 2015	February 2016	
<b>Macau</b>											
24.	Customer E	Macau Peninsula	Leisure and hospitality	Fitting-out works for clubhouse of casino	11,417.1	14,046.5	—	14,046.5	November 2012	April 2014	
25.	A retailer	Cotai	Retail	Fitting-out works for retail store of casino resort	20,500.0	20,500.0	1,733.3	—	22,233.3	July 2013	January 2015

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No.	Customer	Location of project	Project type based on use of premises	Services provided	Notional contract sum <sup>(1)</sup>	Amount of revenue recognised for the year ended 31 March <sup>(1)</sup>			Total revenue recognised for the Track Record Period	Commencement date <sup>(2)</sup>	Actual completion date <sup>(3)</sup>
						2014	2015	2016			
					(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)			
26.	Customer G <sup>(4)</sup>	Macau Peninsula	Leisure and hospitality	Fitting-out works for casino	79,237.0	—	80,800.0	3,150.8	83,950.8	June 2014	August 2015
27.	A construction company <sup>(5)</sup>	Cotai	Food and beverage	Fitting-out works for restaurant of casino	MOP11,678.0 (equivalent to approximately HK\$11.3 million)	—	12,586.2	27.3	12,613.5	May 2014	October 2015

*Notes:*

- Notional contract sum refers to the contract sum as stated in the original contract or letter of award (where contract is yet to be executed), whereas the revenue recognised for the Track Record Period represents the actual amount of works performed by us during the same period, which could differ from the notional contract sum.
- Commencement date in general refers to the commencement date as specified in the original contract, letter of award (where contract is yet to be executed) or the master programme (where the contract or letter of award, if executed, does not set out a commencement date).
- Actual completion date in general refers to the completion date as specified in the certificate of practical completion or the date of final invoice for the contract (where the certificate of practical completion has not been or (for simple works) will not be issued).
- We acted as a subcontractor in this project.
- We acted as a nominated subcontractor in this project.



## BUSINESS

### Projects on hand

From 1 April 2016 up to the Latest Practicable Date, we had a total of 17 fitting-out projects on hand (including (i) 10 projects completed during such period; and (ii) seven projects in progress as at the Latest Practicable Date) in Hong Kong and Macau. Amongst these projects, nine projects had individual notional contract sum of not less than HK\$10.0 million, and in respect of which (1) revenue of nil, nil and approximately HK\$119.4 million was recognised for the three years ended 31 March 2016, respectively, representing nil, nil and approximately 18.1% of our total revenue; (2) the total amount of outstanding notional contract sum as at 31 March 2016 for the six projects in progress as at 31 March 2016 was approximately HK\$209.3 million; and (3) the total notional contract sum for the three projects awarded to our Group after the Track Record Period was approximately HK\$108.2 million. The table below sets forth details of our fitting-out projects on hand with an individual notional contract sum of not less than HK\$10.0 million:

No.	Customer	Location of project	Project type based on use of premises	Services provided	Notional contract sum <sup>(1)</sup>	Amount of revenue recognised for the year ended 31 March 2016 <sup>(1)(2)</sup>	Amount of outstanding notional contract sum as at 31 March 2016 <sup>(3)</sup>	Ratio of revenue recognised up to 31 March 2016 to notional contract sum <sup>(4)</sup>	Actual/expected completion date <sup>(5)</sup>
<b>Hong Kong</b>									
1.	An Asia-based financial services group	Central, Hong Kong Island	Corporate	Fitting-out works for office	37,146.2	18,447.0	18,699.2	49.7%	October 2015 August 2016
2.	Customer A	Sha Tin, New Territories	Corporate	Fitting-out works for career development college and pantry of communication and technology centre	63,803.0	38,752.5	25,050.5	60.7%	November 2015 July 2016
3.	Customer J	Kwun Tong, Kowloon	Corporate	Fitting-out works for office	128,754.6	5,150.2	123,604.4	4.0%	March 2016 October 2016

## BUSINESS

No.	Customer	Location of project	Project type based on use of premises	Services provided	Notional contract sum <sup>(1)</sup>	Amount of revenue recognised for the year ended 31 March 2016 <sup>(1)(2)</sup>	Amount of outstanding notional contract sum as at 31 March 2016 <sup>(3)</sup>	Ratio of revenue recognised up to 31 March 2016 to notional contract sum <sup>(4)</sup>	Actual/expected completion date <sup>(5)</sup>
					(HK\$'000)	(HK\$'000)	(HK\$'000)		
4.	A property developer	The Peak, Hong Kong Island	Leisure and hospitality	Fitting-out works for clubhouse of residential premises	36,811.6	25,676.3	11,135.3	69.8%	January 2016 August 2016
5.	An educational institution	North Point, Hong Kong Island	Others	Fitting-out works for school	54,195.0	—	— <sup>(6)</sup>	—	May 2016 November 2016
6.	Customer A	Sha Tin, New Territories	Food and beverage	Fitting-out works for restaurant, circulation area and toilet of racecourse	31,849.7	—	— <sup>(6)</sup>	—	July 2016 November 2016
<b>Macau</b>									
7.	Customer H	Macau Peninsula	Corporate	Fitting-out works for office	43,742.8	25,468.8	18,274.0	58.2%	December 2015 July 2016
8.	Customer E	Macau Peninsula	Leisure and hospitality	Fitting-out works for public toilet of casino	MOP18,999.0 (equivalent to approximately HK\$18.4 million)	5,905.8	12,542.2	32.0%	January 2016 October 2016
9.	Customer E	Cotai	Leisure and hospitality	Fitting-out works for integrated resort	MOP22,856.1 <sup>(7)</sup> (equivalent to approximately HK\$22.2 million)	—	— <sup>(6)</sup>	—	June 2016 August 2016

*Notes:*

1. Notional contract sum refers to the contract sum as stated in the original contract or letter of award (where contract is yet to be executed), or the amount of actual billing up to completion (where notional contract sum is not stated in the original contract). Whereas the revenue recognised for the year ended 31 March 2016 represents the actual amount of works performed by us during the same period, which could differ from the notional contract sum.
2. As the projects commenced after 1 April 2015, no revenue was recognised for the two years ended 31 March 2015.
3. The amount of outstanding notional contract sum as at 31 March 2016 is calculated based on the notional contract sum less the amount of revenue recognised for the year ended 31 March 2016, which could differ from the expected revenue to be recognised after the Track Record Period.
4. Commencement date in general refers to the commencement date as specified in the original contract, letter of award (where contract is yet to be executed) or the master programme (where the contract or letter of award, if executed, does not set out a commencement date).
5. Expected completion date in general refers to the practical completion date as specified in the master programme or as communicated between our Group and our customer or its consultant team, while the actual completion date in general refers to the completion date as specified in the certificate of practical completion or the date of final invoice for the contract (where the certificate of practical completion has not been or (for simple works) will not be issued).
6. These projects had no outstanding notional contract sum as at 31 March 2016 as they were awarded to our Group after the Track Record Period.
7. The amount represents our actual billing of this project from its commencement and up to its completion in August 2016. Pursuant to the contract of this project (which did not set out the total notional contract sum), our customer shall pay us based on the daily charge per labour stipulated in the contract.

## BUSINESS

### Alteration and addition projects

#### Projects completed during the Track Record Period

During the Track Record Period, we completed a total of seven alteration and addition projects, all of which were located in Hong Kong. Amongst these projects, four projects had individual notional contract sum of not less than HK\$10.0 million, and in respect of which revenue of approximately HK\$76.9 million, HK\$154.5 million and HK\$0.1 million was recognised for the three years ended 31 March 2016, respectively, representing approximately 16.8%, 28.6% and 0.1% of our total revenue, respectively. The table below sets forth details of our alteration and addition projects completed during the Track Record Period with an individual notional contract sum of not less than HK\$10.0 million.

No.	Customer	Location of project	Services provided	Notional contract sum <sup>(1)</sup>	Amount of revenue recognised for the year ended 31 March <sup>(1)</sup>			Total revenue recognised for the Track Record Period	Commencement date <sup>(2)</sup>	Actual completion date <sup>(3)</sup>
					2014	2015	2016			
				(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)			
1.	A hotel operator	Repulse Bay, Hong Kong Island	Alteration and addition works for changing room, car park lobby and lift lobby of unfurnished apartments offered for lease by the hotel operator	20,370.8	9,862.9	—	9,862.9	December 2012	June 2013	
2.	Customer C	Tsuen Wan, New Territories	Alteration and addition works for corridor, lobby, dumbwaiter and external areas of shopping mall	31,900.0	29,613.9	459.7	30,073.6	March 2013	January 2014	
3.	Customer D	Tsim Sha Tsui, Kowloon	Alteration and addition works for hotel	25,700.0	27,777.4	20.0	27,777.4	November 2013	August 2014	
4.	Customer F	Kwun Tong, Kowloon	Alteration and addition works for the wholesale conversion of industrial building for office use	161,133.2	9,668.0	153,987.9	163,730.7	March 2014	February 2015	

#### Notes:

- Notional contract sum refers to the contract sum as stated in the original contract or letter of award (where contract is yet to be executed), whereas the revenue recognised for the Track Record Period represents the actual amount of works performed by us during the same period, which could differ from the notional contract sum.
- Commencement date in general refers to the commencement date as specified in the original contract, letter of award (where contract is yet to be executed), or the master programme (where the contract or letter of award, if executed, does to set out a commencement date).
- Actual completion date in general refers to the completion date as specified in the certificate of practical completion or the date of final invoice for the contract (where the certificate of practical completion has not been or (for simple works) will not be issued).

## BUSINESS

### Projects on hand

From 1 April 2016 up to the Latest Practicable Date, we had a total of three alteration and addition projects on hand (including (i) one project completed during such period; and (ii) two projects in progress as at the Latest Practicable Date), all of which were located in Hong Kong. Amongst these projects, two projects had individual notional contract sum of not less than HK\$10.0 million, and in respect of which (1) revenue of nil, nil and approximately HK\$126.2 million was recognised for the three years ended 31 March 2016, respectively, representing nil, nil and approximately 19.1% of our total revenue, respectively; (2) the total amount of outstanding notional contract sum as at 31 March 2016 for the project in progress as at 31 March 2016 was approximately HK\$88.8 million; and (3) the notional contract sum for the project awarded to our Group after the Track Record Period was approximately HK\$84.0 million. The table below sets forth details of our alteration and addition project on hand with an individual notional contract sum of not less than HK\$10.0 million.

No.	Customer	Location of project	Services provided	Amount of revenue recognised for the year ended 31 March 2016 <sup>(1)</sup>		Notional contract sum <sup>(1)</sup> (HK\$'000)	Amount of outstanding notional contract sum as at 31 March 2016 <sup>(3)</sup>		Ratio of revenue recognised up to 31 March 2016 to notional contract sum		Expected completion date <sup>(5)</sup>
				(HK\$'000)	(HK\$'000)		(HK\$'000)	(%)	date <sup>(4)</sup>	date <sup>(5)</sup>	
1.	Customer K	Tsing Yi, New Territories	Alteration and addition works for container and godown centre	126,223.5 <sup>(2)</sup>	88,776.5	215,000.0	88,776.5	58.7%	June 2015	March 2017	
2.	A hotel operator	Wan Chai, Hong Kong Island	Alteration and addition works for hotel	—	— <sup>(6)</sup>	83,998.0	—	—	July 2016	May 2017	

#### Notes:

- Notional contract sum refers to the contract sum as stated in the original contract or letter of award (where contract is yet to be executed), whereas the revenue recognised for the year ended 31 March 2016 represents the actual amount of works performed by us during the same period, which could differ from the notional contract sum.
- As the project commenced after 1 April 2015, no revenue was recognised for the two years ended 31 March 2015.
- The amount of outstanding notional contract sum as at 31 March 2016 is calculated based on the notional contract sum less the amount of revenue recognised for the year ended 31 March 2016, which could differ from the expected revenue to be recognised after the Track Record Period.
- Commencement date refers to the commencement date as specified in the master programme.
- Expected completion date refers to the practical completion date as specified in the master programme.
- This project had no outstanding notional contract sum as at 31 March 2016 as it was awarded to our Group after the Track Record Period.

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## BUSINESS

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### Movement of our backlog

The following table sets forth the movement of backlog of our projects (which represents the total estimated contract value of works (including adjustments and variation orders) which remains to be completed pursuant to the terms of the outstanding contracts as at a certain date and assuming performance in accordance with the terms of the contract) during the Track Record Period:

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Opening value of backlog as at the beginning of the relevant financial year	147,434	232,308	100,125
Value of new contracts <sup>(1)</sup>	541,705	407,283	831,044
Revenue recognised <sup>(2)</sup>	(456,831)	(539,466)	(661,082)
<b>Closing value of backlog as at the end of the relevant financial year</b>	<b>232,308</b>	<b>100,125</b>	<b>270,087</b>

*Notes:*

1. Value of new contracts means the total contract sum of new projects (taking into account adjustments and variation orders) as at the end of the relevant financial year which were awarded to us during the relevant financial year.
2. Revenue recognised means the value of contract work recognised as revenue during the relevant financial year.

After the Track Record Period and up to the Latest Practicable Date, we were awarded a total of 10 projects, including (i) nine fitting-out projects with a total notional contract sum of approximately HK\$123.2 million; and (ii) one alteration and addition project with a notional contract sum of approximately HK\$84.0 million, pursuant to one tender submitted during the Track Record Period and nine tenders or quotations submitted after the Track Record Period and up to the Latest Practicable Date. The alteration and addition project with a notional contract sum of approximately HK\$84.0 million relates to the alteration and addition works for a hotel. The project commenced in July 2016 and is expected to complete in May 2017. It is estimated that this project will generate revenue of approximately HK\$79.8 million and HK\$4.2 million for the years ending 31 March 2017 and 2018, respectively.

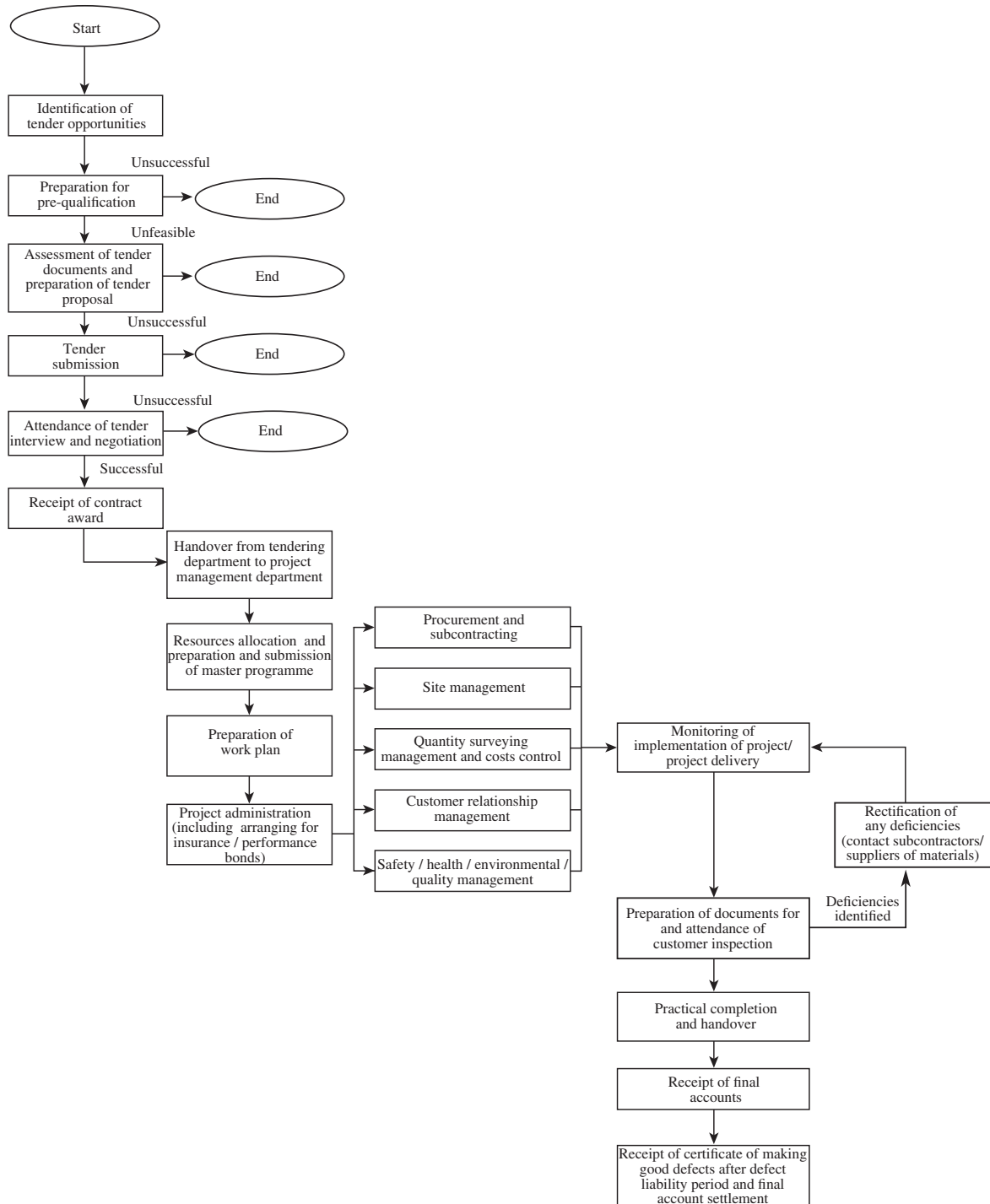
As at the Latest Practicable Date, 10 invitations to which we had expressed interests to tender were pending invitations to tender to be received. Our Directors estimate that the total expected notional contract sum of the projects in relation to such 10 invitations would be approximately HK\$1,237.0 million. For further details, see “Future Plans and Use of Proceeds — Future plans — Business outlook”.

As at the Latest Practicable Date, there were 19 projects for which we had yet to receive results after submitting the tenders or quotations with a total expected notional contract sum of approximately HK\$581.5 million. As at the Latest Practicable Date, we were preparing submissions for six tenders for projects with a total expected notional contract sum of approximately HK\$158.5 million. For further details, see “Future Plans and Use of Proceeds — Future plans — Business outlook”.

# BUSINESS

## OUR OPERATION FLOW

We have developed a comprehensive project management system for our business operations. For illustrative purposes, the following chart sets forth key stages of our operating flow which generally applies to all types of projects that we have undertaken.



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## BUSINESS

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### **Identification of business opportunities**

We obtain most of our customers' contracts through a tender process. Potential customers approach us with current or upcoming tender opportunities through referrals, word-of-mouth or from previous tenders and contracts. We meet with them and their consultant team (which may include customers' project managers, quantity surveyors, architects and building services consultants) to discuss our availability and work experience. They provide us with information on any upcoming tender and may invite us to pre-qualify for the tender process. For works of smaller scale, some customers engage our services without the tendering process.

### **Tender process**

#### ***Pre-qualification***

Potential customers, through their consultant team, send us notifications containing brief particulars of project such as project nature, size and commencement date and pre-qualification standards which are a set of standards for the customers to assess our eligibility to tender. The name of the customer is usually not disclosed to us at this stage. Our customers may also invite us to express our interests to tender for their projects at this stage. If we are interested in the project, we normally provide information on our organisational structure, track record in similar projects and financial standings. The pre-qualification process generally takes one to two weeks.

#### ***Invitation to tender***

If we pass the pre-qualification screening, we typically receive invitations to tender and the tender documents. The tender documents typically consist of conditions of tender, specifications, schedule of rates and drawings and a set of submission criteria including time and place of submission.

#### ***Tender assessment and preparation***

Our tendering department performs tender assessment based on the following criteria to determine whether to make a recommendation to pursue the project:

- customer assessment: whether it is a new or an existing customer, background, credibility and financial standing of the customer;
- project type: the use of premises and the industry segment in which the customer operates;
- terms of contract and resources: completion schedule, project technical requirements, quality requirements and availability of resources;
- costs and profitability: costs of subcontracting, materials, overhead and providing performance bonds and other costs involved and profitability of the potential projects; and
- general economic factors: market conditions and state of economy.



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## BUSINESS

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Tender proposal preparation requires substantial details on various aspects of the project. During this stage, our procurement department sources non-binding quotations from our subcontractors and suppliers of materials to facilitate our cost estimation and pricing decisions. Our project management department works out the composition of team members for each project, which usually consists of project manager, site manager, quantity surveyor, material procurement officer, safety officer, building service engineer, project coordinator and supporting staff for working drawings, tendering, engineering and safety aspects. Generally, our project management department and tendering department also conduct a site visit to the project location to further assess the complexity of project requirements so as to deliver a more precise and cost-effective procurement strategy. The period from receipt of tender documents to submission of tender proposal is generally about two to three weeks.

### *Tender pricing*

We adopt a cost estimate plus mark-up pricing model for pricing our tenders. Our tendering department determines the profit margin of a project based on various factors including potential costs structure, human resources required, payment terms and completion schedule and propose a tender price. When deciding our tender price, we also refer to data relevant to our pricing decision, such as price trends of materials, trends in the labour market, quotations of subcontractors and suppliers of materials, previous tender records and awarded tender price of previous similar jobs. Contracts with our major customers are generally at fixed-prices with a pre-determined timetable for project completion, and generally commit us to provide the resources required to complete a project for a fixed sum. Finally, our senior management reviews key terms of the tender proposal with the tender price and decides on whether to proceed to submission with the assistance of our commercial department.

### *Tender selection and contract awards*

Our potential customer shortlists potential candidates for tender interviews generally within two weeks after the tender submission. We perform presentation and explanation of our bids to customers and their consultant team, respond to their queries, and discuss with them on the price and/or contract terms during the interviews. For some projects, particularly the larger sized ones, our customers also request us to demonstrate that we have sufficient financial resources to undertake the projects. We review and take into account changes arising from the tender response stage and adjust our reply to the potential customer in the required format. After the tender interviews, some of our potential customers will indicate their intention as to whether to award the project to us.

The period from our receipt of the invitation to tender to contract award is generally about one to two months. Upon contract award, we first sign a letter of acceptance and then enter into a formal contract with our customers or their main contractors.

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### *Tender success rate*

The table below shows our overall tender success rate during the Track Record Period.

	Year ended 31 March		
	2014	2015	2016
Tender success rate <sup>(Note)</sup>	15.1%	16.5%	18.5%

*Note:* Tender success rate is calculated as the number of successful tenders submitted by our Group during a financial year, divided by the total number of successful and unsuccessful tenders submitted by our Group during the respective financial year.

To the best knowledge of our Directors, our tender success rate for the Track Record Period are generally in line with the average tender success rate among our competitors. We adopt a pro-active approach in our project procurement strategy. Our Directors confirm that we generally submit tenders in response to most invitations to tender from potential customers in order to maintain customers' relationship, promote our brand name and increase our opportunity to secure new customers and projects.

### **Project implementation**

#### *Formation of project team*

With the contract formally awarded to us, our tendering department hands over the files to our project management department, which then puts together a project team normally comprising the following members for the overall day-to-day management and operation of the project:

- project manager: generally responsible for the overall implementation and administration of the project including carrying out the planning of the project and the budget, assigning and allocating works to the relevant staff, setting up the reporting channels and being responsible for the communication with customer's project team;
- quantity surveyor: performs cost estimation, assesses work progress and quantity of works completed, prepares payment applications to customers' consultant teams, monitors settlement status and processes subcontractors' invoices;
- site manager: supervises and monitors the overall workforce and work progress on site, supervises workmanship and quality on site and coordinates with our safety officer to implement our occupational health and safety management on site;
- safety officer: develops and supervises the implementation of site safety and environmental measures according to statutory requirements, manages risk management and control, carries out site safety and environmental inspection, carries out investigations on any accidents, promotes site safety and environmental awareness and evaluates our compliance of statutory compliance on site;

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- project coordinator: handles day-to-day coordination and communications with our subcontractors and suppliers of materials;
- building services engineer: reviews project programme and specifications, resolves issues on the implementation of customer's specifications and designs, identifies the requirement of customer's consultant team and long lead items within the relevant work scope and assist the project manager in the overall project management; and
- procurement staff: handles ordering of products and services from our subcontractors and suppliers of materials and assists in evaluating the performance of our suppliers.

Our project team prepares and submits a master programme for the project setting out key milestone dates (e.g. commencement date and date of practical completion) to our customer or its consultant team. The master programme is reviewed and updated regularly during the project implementation.

### *Preparation of work plan*

Tender documents usually include customers' concepts which generally are in the form of architect's or designer's drawings together with the specifications of materials, products and/or equipment to be used. We transform such requirements into a comprehensive and practical work plan which includes working drawings and detailed particulars of materials, products and/or equipment to be used in the project and submit the same for our customers' approval.

### *Taking out insurance and performance bonds*

For some contracts, we are required to provide performance bonds issued by a bank or an insurance company backed by cash collateral and/or guarantees in favour of our customers to secure our performance under contracts, which is common in our industry. The amount of the performance bonds required for each project is typically 5.0% or 10.0% of the total contract sum. Our performance bonds normally expire or are released upon completion of the project or as otherwise specified in the contract. Our Directors confirm that there was no claim on any performance bond during the Track Record Period.

As a main contractor, we are normally required to take out contractor's all risks, employee's compensation and third party liability insurance to comply with the applicable laws and regulations and the requirements under the contracts (see "— Insurance").

### *Procurement and subcontracting*

See "— Our suppliers".

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### *Progress payment, retention money and certification*

Generally, our customers pay us by progress payments pursuant to contract with reference to the percentage of works done or the reaching of specified milestones. We generally do not receive any deposit or advance payment from our customers in Hong Kong, whilst some of our customers in Macau pay a refundable deposit generally ranging from 20.0% to 30.0% of the contract sum upon the contract execution which, accordingly to the Industry Report, is in line with industry practice in Hong Kong and Macau, respectively. We typically submit a payment application to our customer's consultant team summarising the works done on a monthly basis or after the specified milestone is reached. Our quantity surveyor prepares our payment applications based on an internal assessment of work progress and quantity of works completed and an estimation of subcontracting costs likely to be incurred. Our customer's consultant team then assesses our payment application and issues an interim payment certificate to us certifying the percentage of completion of works done or the reaching of the specified milestone. In general, the interim payment certificate is issued within 30 days from the date of our payment application. We then present the interim payment certificate to our customers. Our customers then make payment to us based on the certified amount less any retention money. In general, such payment is made within 14 to 60 days from the date of the presentation of the interim payment certificate to our customers.

In most contracts with our major customers, our customers have the right to hold up a portion, typically 10.0% of each progress payment, until a specified percentage of the total contract sum is reached and such sum of money is known as retention money. The retention money for each project is typically 5.0% of the total contract sum, the first half of which is usually released upon the issue of the certificate of practical completion and the remaining portion is usually released upon the issue of certificate of making good defects after the expiry of the defect liability period.

### *Variation orders*

Customers or their consultant team in general have the right to order variations during the course of the project pursuant to the relevant contract terms. Variation orders may include: (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; and (ii) changes to any sequence, method or timing of fitting-out works. The rates for the works under such variation orders follow the schedule of rates as provided in the relevant contracts or the fair value of work, day rates or estimated cost and profit agreed by the customer's consultant team and us. In general, after receiving instruction of a variation order, we make an estimation of the costs likely to be involved and may obtain quotations from our subcontractors, and then we submit a proposed rate for such variation order to our customers' consultant team for approval. We continue to apply for progress payments for such variation orders during the course of the project.

### *Project monitoring and management*

We have adopted ISO 9001 (quality management) systems to ensure that the works undertaken by our subcontractors are delivered on schedule and conform with the standards of our customers (see "— Quality control").

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### *Duration*

Our customers fix an expected project duration at the tender stage. We consider whether the length of duration is feasible to us with reference to a number of factors including project scale, scope of works, expectation of customers, technical complexity, availability of specified materials, etc., which can vary widely. During the Track Record Period, the duration of most of our fitting-out projects from commencement to practical completion varied from two months to six months, whilst the duration of most of our alteration and addition projects from commencement to practical completion varied from six months to 18 months. If we are aware of any circumstance which may prolong the duration, we advise our customers on ways to mitigate any impact from the extra time and cost involved. If the progress of the works is likely to be delayed due to variation orders or certain unforeseen situations such as inclement weather on the site, we discuss with our customers in estimating the length of the delay and agreeing to a fair and reasonable extension of time for completion.

### **Project completion and defect liability period**

#### *Practical completion*

Our customers or their consultant teams conduct inspection to check whether the works are satisfactorily completed. The customer's consultant team then issues a certificate of practical completion certifying that the project is substantially completed and is approved for handover. Upon the issue of such certificate, half of the retention money is usually released to us and the performance bond, if any, is normally also released.

#### *Defect liability period*

Our customers normally specify a defect liability period, during which we are responsible to rectify defects identified at our cost. During the Track Record Period, the defect liability period of our projects typically lasted for 12 months after the issue of practical completion certificate. Generally, we require a back-to-back defect liability period from our subcontractors for risk management purpose so that our subcontractors are in general responsible for rectifying the defects in their works or materials procured at their costs.

### **OUR CUSTOMERS**

Our major customers include a number of reputable organisations and commercial enterprises in the private sector in Hong Kong and Macau. In line with market practice, our customers award contracts to us on a project-by-project basis and are non-recurring in nature. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contract with any of our customers.

For the three years ended 31 March 2016, revenue derived from our five largest customers accounted for approximately 69.2%, 84.2% and 84.5% of our total revenue, respectively. For the same period, revenue derived from our largest customer accounted for approximately 35.1%, 28.5% and 28.1% of our total revenue, respectively. All of our five largest customers are Independent Third Parties.

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The tables below set forth the details of our five largest customers.

*For the year ended 31 March 2014*

<u>Customer</u>	<u>Revenue recognised for the year</u>	<u>Approximate percentage of our total revenue</u>
	<i>(HK\$'000)</i>	
Customer A <sup>(1)</sup>	160,242	35.1%
Customer B	72,226	15.8%
Customer C <sup>(2)</sup>	29,614	6.5%
Customer D	27,777	6.1%
Customer E <sup>(3)</sup>	26,058	5.7%
<b>Total</b>	<b><u>315,917</u></b>	<b><u>69.2%</u></b>

*For the year ended 31 March 2015*

<u>Customer</u>	<u>Revenue recognised for the year</u>	<u>Approximate percentage of our total revenue</u>
	<i>(HK\$'000)</i>	
Customer F <sup>(2)</sup>	153,988	28.5%
Customer A <sup>(1)</sup>	100,683	18.7%
Customer H	86,140	16.0%
Customer G <sup>(4)</sup>	80,800	15.0%
Customer I	32,510	6.0%
<b>Total</b>	<b><u>454,121</u></b>	<b><u>84.2%</u></b>

*For the year ended 31 March 2016*

<u>Customer</u>	<u>Revenue recognised for the year</u>	<u>Approximate percentage of our total revenue</u>
	<i>(HK\$'000)</i>	
Customer A <sup>(1)</sup>	185,970	28.1%
Customer J <sup>(5)</sup>	163,195	24.7%
Customer K	126,224	19.1%
Customer L <sup>(6)</sup>	49,815	7.5%
Customer H	33,890	5.1%
<b>Total</b>	<b><u>559,094</u></b>	<b><u>84.5%</u></b>

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<b>Customer</b>	<b>Background</b>	<b>Nature and location of services we provided to the customer</b>	<b>Year of commencement of business relationship</b>
<b>Customer A<sup>(1)</sup></b>	A horse racing and betting operator in Hong Kong with over 130 years of operating history	Fitting-out works in Hong Kong	2011
<b>Customer B</b>	A Hong Kong subsidiary of a multi-national banking corporation headquartered in the U.S. and listed on the New York Stock Exchange	Fitting-out works in Hong Kong	2013
<b>Customer C<sup>(2)</sup></b>	A Hong Kong company managed by a private equity real estate firm	Alteration and addition works in Hong Kong	2013
<b>Customer D</b>	A Hong Kong company with a scope of business covering hotel operation and investment holding	Alteration and addition works in Hong Kong	2013
<b>Customer E<sup>(3)</sup></b>	A U.S. subsidiary of a multi-national casino, hotel and resort operator listed on NASDAQ Global Select Market	Fitting-out works in Macau	2007
<b>Customer F<sup>(2)</sup></b>	A property investment holding company and a Hong Kong subsidiary of a property developer listed on the Stock Exchange	Alteration and addition works in Hong Kong	2014
<b>Customer G<sup>(4)</sup></b>	A construction company and a Hong Kong subsidiary of a construction services provider listed on the Australian Securities Exchange	Fitting-out works in Macau	2015
<b>Customer H</b>	A banking corporation and a Hong Kong subsidiary of a multi-national banking and financial services company which has a dual primary listing on the London Stock Exchange and the Stock Exchange	Fitting-out and alteration and addition works in Hong Kong and fitting-out works in Macau	2006
<b>Customer I</b>	An operator of a convention and exhibition centre in Hong Kong and a Hong Kong subsidiary of an infrastructure service company listed on the Stock Exchange	Fitting-out works in Hong Kong	2014
<b>Customer J<sup>(5)</sup></b>	A BVI subsidiary of a multi-national banking corporation headquartered in the U.S. and listed on the New York Stock Exchange	Fitting-out and alteration and addition works in Hong Kong	2015

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Customer	Background	Nature and location of services we provided to the customer	Year of commencement of business relationship
<b>Customer K</b>	A Hong Kong subsidiary of a company principally engages in property-related, hotel and restaurant business and listed on the Stock Exchange	Alteration and addition works in Hong Kong	2015
<b>Customer L<sup>(6)</sup></b>	A healthcare service provider and a Hong Kong subsidiary of a medical foundation with over 50 years of history	Fitting-out and alteration and addition works in Hong Kong	2015

*Notes:*

1. We include the revenue derived from our services to a company managed by Customer A when calculating the revenue derived from Customer A for the Track Record Period.
2. To the best knowledge of our Directors, Customer C and Customer F were under the management by the same private equity real estate firm from February 2013 until April 2015.
3. We include the revenue derived from our services to a Cayman Islands subsidiary and a Macau subsidiary of Customer E's shareholder when calculating the revenue derived from Customer E for the Track Record Period.
4. We provided our services to a project of Customer G as a subcontractor. Two subsidiaries of Customer E's shareholder are the project owners.
5. We include the revenue derived from our services to another subsidiary of Customer J's shareholder when calculating the revenue derived from Customer J for the Track Record Period.
6. We include the revenue derived from our services to another subsidiary of Customer L's shareholder when calculating the revenue derived from Customer L for the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, there was no overlapping of our major customers and major suppliers (including subcontractors).

Our Directors confirm that we did not have any material dispute with our customers during the Track Record Period and up to the Latest Practicable Date.

None of our Directors, Shareholders (which to the knowledge of our Directors owns more than 5.0% of our issued share capital) or their respective close associates had any interest in any of our five largest customers.

### **Sustainability of our business in view of the concentration of our revenue from our five largest customers**

During the Track Record Period, we derived a majority of our revenue from our five largest customers. For associated risks, see "Risk Factors — Risks relating to our business — Revenue derived from our five largest customers accounted for a substantial portion of our total revenue. Failure to retain business relationship with them or secure new business may affect our business, financial condition and results of operations."



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Our Directors consider that the concentration of our revenue from our five largest customers is mainly due to the fact that our projects are of considerably different scales. A sizeable project which we undertake would contribute to a significant portion of our revenue in the particular period and would possibly result in the relevant customer becoming one of our largest customers in that particular period. As a result, the mix and identity of our largest customers may vary from year to year. During the Track Record Period, we had a total of 12 five largest customers, amongst which, except for Customer A (which had been one of our five largest customers for each of the three years ended 31 March 2016) and Customer H (which had been one of our five largest customers for each of the two years ended 31 March 2016), no other customer had been one of our five largest customers for more than one financial year. Our Directors further consider this as a common occurrence in our industry and is not specific to our Group.

Our Directors consider that the following factors should contribute to the sustainability of our business in view of the revenue concentration:

- (1) we have established stable and long business relationships with some of our major customers. Our Directors believe that our customer relationships are built on our long years of expertise, reputation in the industry and past project references. In addition, with our long years of industry expertise, we consider we are able to implement projects with efficiency and in a cost effective manner. Such ability is also beneficial to our customers by ensuring timely delivery of works to them with reasonable costs. We have been providing renovation services to Customer A, our largest customer for each of the years ended 31 March 2014 and 2016 and second largest customer for the year ended 31 March 2015, since 2011 and completed 13 projects for it during the Track Record Period. We have also established stable business relationship for approximately 10 years with Customer H, being our third largest customer for the year ended 31 March 2015 and fifth largest customer for the year ended 31 March 2016;
- (2) with our long years of operating history, we have built up a strong business network of customers and other professional consultants, which has consistently presented us with business opportunities. This can be seen from (i) our increasing tender success rates for the three years ended 31 March 2016 (being 15.1%, 16.5% and 18.5%, respectively); and (ii) the number of projects we had on hand from 1 April 2016 to the Latest Practicable Date with an individual notional contract sum of not less than HK\$10.0 million (see “— Our projects”);
- (3) we have been providing renovation services to a number of reputable organisations and commercial enterprises. Our Directors consider such customers as competitive, reputable and reliable customers, and we believe our services provided to these customers would serve as a stable source of revenue; and
- (4) we have continued to diversify our customer base and attract new customers. During the Track Record Period, we were awarded contracts with new customers (being customer who had not entered into contracts with us prior to the commencement of the Track Record Period as confirmed by our Directors) which have become our five largest customers during the Track Record Period, such as Customer G, Customer J, Customer K and Customer L.

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### Key contract terms

The terms of contracts with our customers vary from project to project, and are generally based on the standard industry forms, the specific requirement for each project, as well as further negotiations by the parties on the particular terms therein. Our Directors consider the terms of contracts we entered into with our major customers during the Track Record Period generally conform with market norms. Save as otherwise specified, the key contract terms specified below generally apply to the renovation services including fitting-out and alteration and addition projects provided by us to our major customers. Key contract terms with our major customers include the following:

- **contract period:** the commencement date and completion date of the works, subject to extension;
- **scope of services:** the type and scope of works we are required to provide;
- **schedule of rates:** the breakdown of the contract sum itemising the works, components, materials and their respective quantities and price rates. Provisional items and/or re-measurement items of works may also be stipulated;
- **liquidated damages:** an agreed daily rate of liquidated damages to which we are subject for each day of delay caused by us;
- **indemnity:** an indemnity in favour of our customers for, among others, liabilities in respect of personal injury or death and property damage may be stipulated;
- **payment terms:** the period within which we submit payment applications, interim payment certificates are issued and payments are made based on certifications of works. In general, our customers pay us within 14 to 60 days after the presentation of the interim payment certificate to the customer;
- **retention money:** the portion of money that the customer holds up from each progress payment (typically 10.0% of each progress payment) until a specified percentage of the total contract sum (typically 5.0% of the total contract sum) is reached. The retention money is usually specified to be released in the following manner: the first half upon the issue of the certificate of practical completion and the remaining portion upon the issue of the certificate of making good defects after the expiry of the defect liability period;
- **variation order:** the right of customers to order variations in the course of the project. Variation orders generally include: (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; and (ii) changes to any sequence, method or timing of fitting-out works. The contract usually specifies that the actual rates for the works under such variation orders are to be agreed between us and the customers' consultant team in accordance with the schedule of rates as provided in the relevant contract;
- **performance bond:** for some contracts, we are required to provide performance bonds issued by a bank or an insurance company backed by cash collateral and/or guarantees in

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favour of our customers to secure our performance under contracts. The amount of performance bond required for each project is typically 5.0% or 10.0% of the total contract sum. The performance bond normally expires or is released upon completion of the project or as otherwise specified in the contract;

- **insurance:** the type and amount of insurance coverage we are required to take out and maintain, including contractor's all risks, employee's compensation and third party liability insurance, to comply with the applicable laws and regulations and the requirements under the contracts;
- **practical completion:** a certificate of practical completion is issued upon substantial completion of works to the satisfaction of the customer;
- **defect liability period:** the period during which we are responsible to rectify defects in our works, which is typically a period of 12 months after the issue of practical completion certificate; and
- **termination:** our customers usually have the right to terminate the contract if we commit material delay in delivery of our services or commit other material default or go into liquidation/insolvency. We may terminate the contract if our customers fail to pay us according to specified payment terms, go into liquidation/insolvency. Generally both of our customers and us have the right to terminate the contract if the works under the relevant project was suspended for more than a period of time as specified in the contract and not attributable to each party.

Additionally, the contracts with our major customers usually contain clauses specifying the expected project management structure, contractual specifications on quality, occupational safety, health and environmental management and other technical specifications in connection with the project. During the Track Record Period, our contracts with our major customers did not contain exclusivity clause which restricts our ability to provide services to other customers.

Some contracts empower our customers' consultant team to nominate subcontractors to be engaged by us. We would generally be entitled to extend the time and not be liable to pay damages for the acts of nominated subcontractors which cause quality issues or project delay.

Our Directors confirm that none of our contracts was terminated prior to expiry during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that we had not been claimed against for any liquidated damages by our customers due to any delay in project delivery, nor were there any material claims or complaints brought against us by our customers for defect liability, during the Track Record Period and up to the Latest Practicable Date.

### Credit terms with customers

During the Track Record Period, our revenue was generally denominated in HK\$ and MOP. Our customers generally settle the payments by cheque payments and bank remittance. In general, our customers pay us within 14 to 60 days after the presentation of the interim payment certificate to the customer. We generally do not receive any deposit or advance payment from our customers in Hong

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Kong, whilst some of our customers in Macau pay a refundable deposit generally ranging from 20.0% to 30.0% of the contract sum upon the contract execution which, accordingly to the Industry Report, is in line with industry practice in Hong Kong and Macau, respectively. Our customers generally pay us progress payments on monthly basis and have the right to hold retention money (see “— Our operation flow — Project implementation — Progress payment, retention money and certification”). For the three years ended 31 March 2016, our trade receivable turnover days were approximately 14.2 days, 15.5 days and 18.1 days, respectively. For information of our allowances for doubtful debts, see “Financial Information — Description and analysis of principal items in the combined statements of financial position — Trade and other receivables — Trade receivables”. Our Directors may determine specific allowance for doubtful debts on a case-by-case basis, taking into account factors such as length of business relationship, past payment history and credit worthiness, reputation and size of customers.

Our quantity surveyor assesses the quantity of works completed and submits interim payment applications to our customers’ consultant teams. Our customers’ consultant teams perform inspection and issue the interim payment certificate or the certificate of practical completion accordingly in certifying the percentage of works done or the reaching of specified milestones. Our quantity surveyor monitors settlement status and liaises with our customers to seek settlement for outstanding balances overdue.

### **Sales and marketing**

Our Directors believe that our solid customer base, expertise, reputation in the industry and past project references are our important assets to secure future projects. Our executive Directors and members of senior management are generally responsible for maintaining our customers’ relationship, and keeping abreast of market developments and potential business opportunities. We regularly communicate with our customers to keep them informed of the status of projects and to seek their feedback. In addition, we hold annual cocktail parties where we invite our customers, industry consultants together with our prospective or potential new customers. For the three years ended 31 March 2016, our marketing expenses were approximately HK\$0.2 million, HK\$0.2 million and HK\$0.2 million, respectively. We also believe that the Listing will be a breakthrough in promoting us to the general public, thus further enhancing our brand and future business development.

### **OUR SUPPLIERS**

Our major suppliers include subcontractors and suppliers of materials. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contract with our subcontractors and suppliers of materials. For the three years ended 31 March 2016, purchases attributable to our five largest suppliers accounted for approximately 26.5%, 25.9% and 28.8% of our total purchases, respectively. For the same period, purchases attributable to our largest supplier accounted for approximately 9.4%, 7.0% and 9.5% of our total purchase, respectively. Our five largest suppliers for the Track Record Period are all subcontractors.

### **Subcontractors**

We engage subcontractors for labour intensive works or works requiring specific skill sets to obviate the need for keeping a large number of workers under our permanent employment, thereby enabling us to focus on our core management competencies and allowing us the flexibility to deploy our resources more cost effectively without compromising our work quality. Subcontracting works generally include, among other things, common area works, ceiling works, floor works, wall and

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window works, services and utilities works, installation of decorative and furniture works, as well as demolition, alteration, upgrading, changes in facilities configuration. For the three years ended 31 March 2016, subcontracting costs accounted for approximately 88.7%, 85.4% and 87.5% of our total cost of sales, respectively. For the hypothetical sensitivity analysis on the impact of changes in our subcontracting costs on our profit for each year during the Track Record Period, see “Financial Information — Sensitivity and breakeven analysis — Sensitivity analysis”. Our agreements with our subcontractors are generally on a project-by-project basis.

Our subcontractors are neither our employees nor agents, and we are not a party to the employment arrangement between our subcontractors and their employees.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, that all of our subcontractors during the Track Record Period are Independent Third Parties.

The tables below set forth details of our subcontractors.

*For the year ended 31 March 2014*

<b>Supplier</b>	<b>Purchase for the year</b>	<b>Approximate percentage of our total purchase</b>
	<i>(HK\$'000)</i>	
Subcontractor A	36,509	9.4%
Subcontractor B	19,628	5.0%
Subcontractor C	17,465	4.5%
Subcontractor D	15,041	3.9%
Subcontractor E	14,468	3.7%
<b>Total</b>	<b>103,111</b>	<b>26.5%</b>

*For the year ended 31 March 2015*

<b>Supplier</b>	<b>Purchase for the year</b>	<b>Approximate percentage of our total purchase</b>
	<i>(HK\$'000)</i>	
Subcontractor A	32,929	7.0%
Subcontractor B	26,465	5.6%
Subcontractor F	23,381	5.0%
Subcontractor G	20,045	4.3%
Subcontractor H	18,610	4.0%
<b>Total</b>	<b>121,430</b>	<b>25.9%</b>

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*For the year ended 31 March 2016*

Supplier	Purchase for the year	Approximate percentage of our total purchase
	<i>(HK\$'000)</i>	
Subcontractor E	46,430	9.5%
Subcontractor A	31,886	6.5%
Subcontractor Group I <sup>(Note)</sup>	27,460	5.6%
Subcontractor D	17,900	3.7%
Subcontractor J	16,995	3.5%
<b>Total</b>	<b><u>140,671</u></b>	<b><u>28.8%</u></b>

Subcontractor	Background	Year of commencement of business relationship
Subcontractor A	Builder in Hong Kong	2007
Subcontractor B	Electronic and machinery services provider in Hong Kong	2009
Subcontractor C	Plastering services provider in Hong Kong	2010
Subcontractor D	Electronic and machinery services provider in Hong Kong	2013
Subcontractor E	Electronic and machinery services provider in Hong Kong	2008
Subcontractor F	Builder in Macau	2012
Subcontractor G	Facade works services provider in Hong Kong	2013
Subcontractor H	Electronic and machinery services provider in Hong Kong	2007
Subcontractor Group I <sup>(Note)</sup>	Electronic and machinery services provider in Hong Kong	2011
Subcontractor J	Metal works service provider in Hong Kong	2007

*Note:* Subcontractor Group I includes two subcontractors which, to the best knowledge of our Directors, have common shareholder at the material time.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with our subcontractors and suppliers of material.

None of our Directors, Shareholders (which to the knowledge of our Directors owns more than 5.0% of our issued share capital) or their respective close associates had any interest in any of our five largest suppliers for the Track Record Period.

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### *List of internally approved subcontractors*

We currently maintain a list of 415 internally approved subcontractors. We conduct court searches and background searches on new subcontractors before they are admitted to our list of internally approved subcontractors. With the relatively large pool of internally approved subcontractors, we do not foresee any material difficulties in finding substitute subcontractors should the need arise.

### *Selection criteria of subcontractors*

We select subcontractors based on project requirements and assess the subcontractors' credit period, reputation, past performance, capacity, capability to meet our requirements as to quality, schedule, costs, environment and safety. We generally only engage subcontractors listed on our list of internally approved subcontractors unless they are designated by our customers as nominated subcontractors. Generally, we invite more than one subcontractor as our candidate for the same services. In addition, to minimise the concentration risk and avoid reliance on a particular subcontractor, we generally try to engage different subcontractors for different types of projects.

### *Risk management and control measures*

We are generally liable to our customers for the acts and performance of our subcontractors, including defaults, non-performance or negligence. In this regard, we have adopted the following risk management and control measures to reduce our liability exposure:

- closely monitor the workmanship, progress control, safety, environment/pollution control, organisation and resources during the course of the project, including conducting on-site inspection and meetings with them to address material issues and to provide guidance on smooth operations;
- evaluate the work performance and compliance of subcontractors as a whole annually;
- investigate the cause of non-compliance and establish corrective and preventive actions;
- maintain records of any serious non-compliance regarding safety, environmental and other issues committed by our subcontractors;
- supply our subcontractors with our internal guidelines on safety and environmental issues and on compliance with applicable rules and regulations, and require them to follow. In particular, it is generally a condition precedent to payment in the subcontracting agreement that they provide us a written warranty and undertaking that they have paid their employees all moneys due and payable by the time of such warranty and undertaking;
- generally only engage subcontractors listed on our list of internally approved subcontractors unless they are designated by our customers as nominated subcontractors;

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- build in contractual provisions in the subcontracts which aim to safeguard our interests against their breach of the applicable rules and regulations which may subject us to liability issues (for further details on the subcontractors' contractual obligation to comply with applicable rules and regulations and the indemnity we require from them, see “— Our suppliers — Subcontractors — Major terms of subcontracting agreement”); and
- take out employees' compensation insurance to cover compensation and costs liable by us for personal injuries of our subcontractors' employees in respect of the relevant projects (see “— Insurance”).

Our Directors confirm that no illegal workers have been reported in the sites for which we are responsible during the Track Record Period and up to the Latest Practicable Date.

We have not received any claims from the employees of our subcontractors in relation to the payment of salaries to such employees during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we did not receive any material claims or complaints from our customers in respect of our subcontractors as to quality or timeliness in delivery of services; and (ii) we did not experience any material difficulty in procuring services from our subcontractors.

### *Major terms of subcontracting agreement*

We generally enter into contracts with our subcontractors on a project-by-project basis. Notwithstanding that the terms of the contracts with our subcontractors vary, depending on project requirements, we normally adopt the following principal terms in a typical contract with our subcontractors in order to protect our interest:

- **subcontracting fee and schedule of rates:** a fixed subcontracting fee which is inclusive of labour, materials and costs incurred by the subcontractors together with the schedule of rates showing the breakdown of the contract sum, itemising the works and quantities, and setting out the price or price rate of each item of works. The schedule of rates may also contain provisional items and/or re-measurement items of works;
- **scope of work:** scope of work is usually classified into (i) labour only; and (ii) labour plus materials;
- **compliance:** the subcontractor is obliged to comply with all the relevant rules and regulations in connection with the occupational safety and health and the subcontractor's responsibilities and policies relating to quality control, work safety and environmental protection. In addition, the subcontractor shall comply with all the provisions relating to the subcontracted works under the main contract we entered into with our customer, unless such provisions under the main contract is inconsistent with the terms of the subcontracting agreement;



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- **assignment and subcontracting:** prohibition of assignment or subcontracting by the subcontractor of their works under the subcontracting agreement, without our prior written consent;
- **liquidated damages:** liquidated damages are payable by the subcontractor if the subcontractor fails to complete the works before the specified completion date;
- **defect liability period:** subcontractor to bear all the costs in rectifying the defective works typically for a period of 12 months upon the issue of the practical completion certificate;
- **payment:** we pay the subcontractor progress payments (and hold retention money) on terms generally in line with the payment terms under the main contract and generally within 14 days after we receive the relevant payment from our customers;
- **insurance:** each of our subcontractor and our Group take out their respective personal injury and property insurances;
- **variation order:** we have the right to order variations and determine the rate for the works under variation orders in accordance with the main contract or as the case may be, a pre-determined schedule of rate;
- **retention money:** we have the right to hold up a sum of retention money from each payment (typically 10.0% of each payment) until a specified percentage of the total contract sum (typically 5.0% of the total contract sum) is reached. The retention money is usually specified to be released in the following manner: the first half upon the issue of the certificate of practical completion and the remaining portion upon the issue of the certificate of making good defects after the expiry of the defect liability period;
- **indemnity:** undertakings by subcontractor to indemnify us against:
  - any breach, non-observance or non-performance by the subcontractor or its agents of the main contract;
  - any act or omission of the subcontractor or its agents which subject our Group to any liability to our customer under the main contract;
  - any claim, damage, loss or expense due to or resulting from any negligence or breach of duty of the subcontractor or its agents; and
  - any loss or damage resulting from any claim by an employee of the subcontractor in respect of personal injury; and
- **termination:** we have the right to terminate the contract forthwith upon the subcontractor's default, suspension of works without reasonable cause, bankruptcy or liquidation.

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### *Subcontracting fees and payment terms*

During tender stage, our procurement department sources non-binding quotations from our subcontractors to facilitate our cost estimation and pricing decision. We normally enter into fixed-priced contracts with our suppliers and subcontractors after we are formally awarded with the contracts from our customers. In general, the subcontracting fees are determined with reference to the non-binding quotations received from the subcontractors at the tender stage, the awarded contract sum, the scope of the works as well as the duration of the project.

We pay our subcontractors progress payments and hold retention money on terms generally in line with the payment terms under the main contract. We generally do not pay any deposit or advance payment to our subcontractors. We normally adopt a “pay when paid” approach in paying our subcontractors, meaning that we settle our subcontractors’ invoices after we receive the relevant payment from our customers. Our quantity surveyor prepares our payment applications based on an internal assessment of work progress and quantity of works completed and an estimation of subcontracting costs likely to be incurred. Our customer’s consultant team then assesses our payment application and issues an interim payment certificate to us certifying completion of the percentage of works done or the reaching of the specified milestones. In general, the interim payment certificate is issued within 30 days from the date of our payment application. We then present the interim payment certificate to our customers. Our customers then make payment to us based on the certified amount less any retention money. In general, such payment is paid within 14 to 60 days from the date of presentation of the interim payment certificate to our customers. Upon receipts of payments from our customers and invoices from our subcontractors, we will proceed to settle our subcontractors’ invoices. We generally settle our subcontractors’ invoices within 14 days after we receive payments from our customers. We normally hold up a sum of retention money from each payment to our subcontractors (typically 10.0% of each payment) until a specified percentage of the total contract sum (typically 5.0% of the total contract sum) is reached, the first half of which is usually released to the subcontractor upon the issue of the certificate of practical completion and the remaining portion is usually released upon the issue of the certificate of making good defects after the expiry of the defect liability period.

### **Materials and procurement**

Our subcontractors are generally required to equip themselves with the necessary construction materials, equipment and machineries to complete the works that we subcontracted to them, the cost of which is normally included in their subcontracting fees. We also purchase certain materials such as decorative materials, lighting or furniture for our customers if they require.

The major types of materials we procured during the Track Record Period are finishing materials and lighting fixtures. For the three years ended 31 March 2016, our costs of materials accounted for approximately 3.5%, 6.4% and 6.0% of our total cost of sales, respectively.

Our procurement department sources materials, invites quotations, conducts price evaluation and negotiation, undertakes procurement of materials for all projects and aligns demands for each project. The materials we procured are generally specified by our customers. During the Track Record Period,

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we had also procured materials from distributors and manufacturers mainly located in Hong Kong, Macau and the PRC to satisfy the specific requirement of our customers. Our Directors believe that we had procured the materials from legitimate sources during the Track Record Period and up to the Latest Practicable Date.

Our Directors consider that, with the relatively large pool of suppliers of materials in the market, we do not foresee any material difficulties in finding substitute suppliers of materials should the need arise.

We select suppliers of materials based on project requirements and assess the quality, brand and price of the products they offer. We normally obtain quotations from more than one suppliers of materials.

We do not have long-term contracts with any of our suppliers of materials. We enter into purchase contracts with them on an order-by-order basis, which generally specify the type, quantity, brand, price and delivery of the material. The price is determined based on the non-binding quotation submitted by the suppliers of materials to us at tender stage.

Our suppliers of materials generally provide us with warranty period for 12 months, depending on the materials we procure. During the warranty period, our suppliers of materials are normally responsible for repair and replacement of any defective materials we procure.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any difficulty, shortage or quality issues in our material procurement which led to a material adverse impact on our business operations. Our Directors also do not foresee any material difficulties to source materials in the future. Our Directors consider that we do not overly rely on any of our suppliers of materials and we are able to engage alternative suppliers of materials if necessary.

During the Track Record Period, our purchases from suppliers of materials were generally denominated in HK\$, RMB, MOP and US\$. We generally settle the payments with our suppliers of materials by cheque payments and bank remittance. Generally, the credit term for our suppliers of materials is 14 to 60 days after the delivery of materials. Some of our suppliers of materials will require us to pay a deposit of normally around 30% to 50% of the total price of materials.

As at 31 March 2014, 2015 and 2016, our trade payables were approximately HK\$22.8 million, HK\$24.6 million and HK\$26.6 million, respectively. For the three years ended 31 March 2016, our trade payable turnover days were approximately 16.9 days, 17.6 days and 15.4 days, respectively.

### **Inventory**

Given that we assess the amount and timing of materials to be ordered during the project implementation stage on a project-by-project basis depending on the progress of works and specific requirements of each projects, and we arrange for delivery of materials directly to the project site, we are able to avoid risk of damage while in storage as well as manage storage costs. As such, we carry no material inventories.

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### **COST CONTROLS AND CREDIT MANAGEMENT**

Cost control is critical to our success. We implement a cost control and management system covering different aspects of our operations to control and monitor the costs of our projects in order to avoid or reduce the impact of cost overrun due to project delays or other reasons.

#### **Tender**

We have developed a systematic tender assessment process under which our tendering department would estimate profitability prospects of the projects based on the potential costs structure, human resources required, payment terms and completion schedule. We have established stable business relationship with most of our major suppliers which enable us to control budget and scheduling. When deciding our tender price, we also refer to data relevant to our pricing decision, such as price trends of materials, trends in labour market, quotations of suppliers of materials and subcontractors, previous tender records and awarded tender price of previous similar projects.

#### **Customers**

Generally, under the contracts with our customers, we retain the right to extend the completion dates under special circumstances (such as project delay caused by acts or default of the nominated subcontractors designated by our customers) and to require the payments of variation orders to follow the schedule of rates in the relevant contract or our mutual agreement with customers. This is to ensure the payment terms conform to industry practice so as to manage our working capital.

During the project implementation stage, our quantity surveyor regularly monitors the status of work progress. Our quantity surveyor is also responsible for making progress payment applications on a timely basis and liaising with customers to seek settlement of outstanding balances overdue. For our credit terms with customers, see “— Our customers — Credit terms with customers”.

#### **Subcontracting**

We outsource labour intensive works or works requiring specific skill sets to our subcontractors to obviate the need for keeping a large number of workers under our permanent employment, and thereby giving us the feasibility to deploy our resources more cost effectively without compromising our quality.

Under the subcontracting agreements, we normally agree on a fixed fee which is inclusive of their labour, materials and costs incurred by them. The payment terms with our subcontractors are generally in line with the payment terms under the main contract with our customers and we pay our subcontractors after we receive payments from our customers. Retention money is generally only fully released to subcontractors upon issue of certificate of making good defects after the expiry of the defect liability period. The subcontracting agreements generally stipulate a back-to-back defect liability period similar to the one under the contracts with our customers so that our subcontractors are generally liable to rectify the defective works at their costs. For other protective clauses in the contracts with our subcontractors, see “— Our suppliers — Subcontractors — Major terms of subcontracting agreement”.

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Our Directors consider that our cost controls and credit management system is effective in reducing the impact of cost overrun since we only had four projects that recorded losses during the Track Record Period and up to the Latest Practicable Date, of which only two recorded losses due to cost overrun. Set out below are the details of such projects:

1. a fitting-out project for corporate premises in which we recognised losses of approximately HK\$0.2 million during the Track Record Period. Our Directors confirm that such losses were mainly attributable to the significant adjustment of scope of work by our customer which our Directors consider is unusual;
2. a fitting-out project for food and beverage premises in which we recognised losses of approximately HK\$1.0 million during the Track Record Period. Our Directors confirm that such losses were mainly attributable to cost overrun resulted from unexpected difficult site conditions and complexity of such project;
3. a fitting-out project for corporate premises in which we recognised losses of approximately HK\$0.1 million during the Track Record Period. Our Directors confirm that such losses were mainly attributable to cost overrun resulted from unexpected difficult ground conditions of such project; and
4. an alteration and addition project for a shopping mall managed by a real estate investment trust in Hong Kong in which we recognised losses of approximately HK\$4.5 million during the Track Record Period. For reasons for recognising losses for such project, see “Financial Information — Description and analysis of principal items in the combined statements of profit or loss and other comprehensive income — Gross profit and gross profit margin — Alteration and addition projects”.

## QUALITY CONTROL

Our Directors believe that our success is largely depended on our ability to fulfil the needs of our customers by providing quality services that meet both contractual and statutory requirements. In pursuit of quality excellence, we have implemented a quality management system which is accredited to be in compliance with the requirements of ISO 9001 (quality management). Our quality management system mainly covers the following aspects:

- **overall management:** our project team is responsible for overseeing the implementation of quality management system. Internal audit on our quality management system is conducted annually to review and evaluate our compliance with ISO 9001 requirements;

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- **project-specific management:** we have adopted an IMS (integrated management system) manual, covering the aspects of quality, environmental and occupational health and safety and our project management department creates a project quality plan before commencement of works for each project, which typically sets out project stakeholders, scope of works with specified tasks, project duration, resources planning and responsibilities, products/equipment and standards supplied by customer, project administration and control covering environmental, health and safety aspects, work inspection or test, audit schedule, project handover, defect liability period and end of project, and reports to our senior management directly. Our project manager and site manager of each project team is responsible for monitoring quality control of each project. Our site manager assists our project manager to review progress including conducting on-site inspections to ensure adherence to schedules and performs regular inspection to ensure sufficient progress of the project and compliance with project quality plan. The site manager monitors the quality of subcontractors' works;
- **materials procurement:** we assess our suppliers of materials based on a set of criteria (see “— Our suppliers — Materials and procurement”). We implement our internal acceptance procedures on materials procured and conduct checks on materials to deter materials of inferior or unsatisfactory quality upon delivery;
- **subcontracting:** we generally only engage the subcontractors on our list of internally approved subcontractors, unless they are designated by our customers as nominated subcontractors. We assess our subcontractors based on a set of criteria (see “— Our suppliers — Subcontractors — Selection criteria of subcontractors”). We perform regular assessment on our subcontractors, including their workmanship, progress control, safety, environment/pollution control, organisation and resources. We conduct regular on-site inspection as well as arrange for regular meeting with our subcontractors to address material issues including quality issues and ensure sufficient resources are allocated for the project; and
- **relationship with our customers:** we regularly communicate with our customers or their consultants to keep them informed of the status of project and to get their feedback by physical project meeting or telephone conference. We have implemented procedures for handling complaints from our customers to ensure due record of and timely response to customers' comments. We also perform follow-up actions based on our customers' comments and also make note of their feedback for future reference. We also coordinate with customers' representatives when they carry out supervision during the course of the project.

## ENVIRONMENTAL PROTECTION

Our fitting-out and alteration and addition works may generate waste or disturbances such as noise and vibration, which may inevitably have an impact on the environment. Our business in both Hong Kong and Macau are subject to certain laws and regulations related to environmental protection. See “Regulatory Overview”.

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To carry out our corporate responsibility in respect of environmental protection and to be in compliance with the relevant laws and regulations, we have established and maintained an environmental management system which is certified to have complied with ISO14001 requirements. We consider environmental criteria, such as the amount of wastes produced, in the selection of implementation procedures. We incorporate environmental-related measures and identify material environmental-related risks, if any, in our IMS (integrated management system) manual and the project environmental management plan which is developed before commencement of works for each project. We assess subcontractors and suppliers of materials in terms of environmental criteria generally on annual basis and update our list of internally approved subcontractors based on the results of such assessment. We distribute guidance materials and provide trainings to our staff to contribute towards sustainability by planning their works efficiently with a view to avoid project delays which should in turn help reduce costs and wastage.

Our project environmental management plans set out, among other things, procedures in relation to the prevention of air pollution and water pollution, disposal of public fill, control of dust and debris, control of noise and waste management. In general, we require our subcontractors to dispose of the waste they generated in designated site(s) under the contract we entered into with them. We normally conduct bi-weekly site inspections to ensure good site practice and conformance throughout the construction phase. It is also our policy to arrange for induction site specific training and task related tool-box training in relation to environmental matters for the site personnel.

For the three years ended 31 March 2016, our aggregate annual cost of compliance with applicable environmental laws and regulations in Hong Kong and Macau was approximately HK\$0.3 million, HK\$0.4 million and HK\$0.4 million, respectively, which primarily comprised the waste disposal payment we directly paid to the Hong Kong Government. We estimate that such cost of compliance will not be material in the future.

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. Our Directors confirm that we have complied with in all material aspects of the relevant laws, rules and regulations relating to environmental protection in carrying on our business during the Track Record Period and up to the Latest Practicable Date.

### **OCCUPATIONAL HEALTH AND SAFETY**

It is our policy to provide a safe and healthy working environment for our employees and the employees of our subcontractors. We are also committed to the creation of a safe environment for the concern of the general public. We believe that in addition to our contractual and statutory obligations, occupational health and safety is important for maintaining our reputation and achieving long-term cost savings.

We have established and maintained a health and safety management system for our operations which is certified to have complied with OHSAS 18001 requirements. This system adopts a preventive approach, which not only aims to control risk level by identifying risks in different types of works but also provide information, instruction, training and supervision to enhance awareness of hazards, and to improve emergency preparedness. For our operations in Hong Kong and Macau, we incorporate



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safety measures and identify hazards or safety risks, in our IMS (integrated management system) manual and project safety plan which is developed before commencement of works for each project. We assess our suppliers in terms of health and safety criteria generally on annual basis and update our list of internally approved subcontractors based on such assessment. We also build in provisions in the contracts with them for compliance with applicable health and safety laws and regulations and also require their compliance with our health and safety related standards and policies.

Our project safety plans normally set out, among other things, safety responsibilities for the personnel of the relevant project, safety training requirement, site inspections and safety audit procedures, preventive safety measures for the relevant project, accident/incident investigation plan, emergency plan, job-hazard and risk analysis as well as safety measures in relation to working at heights, prevention of falling objects, lifting appliances and gears, scaffolding and working platforms, electricity safety, fire prevention, etc.. We normally conduct onsite safety inspections on daily, bi-weekly and ad-hoc basis. It is also our policy to arrange for site and job specific training and tool-box training in relation to safety matters. In addition, we have adopted a set of in-house safety rules highlighting general rules and regulations applicable to our normal site operations.

As at the Latest Practicable Date, we have a safety department consisting of three registered safety officers and one registered safety auditor all approved by Labour Department in Hong Kong, who are specifically responsible for monitoring and overseeing the implementation of our health and safety management system.

During the Track Record Period, we engaged an independent external registered safety auditor, namely Mr. Tam Koon Man, to perform an external safety audit on our safety management system in Hong Kong generally every six months and a safety audit report upon completion of the audit was submitted to us and the Labour Department, pursuant to section 13 of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong). Mr. Tam is a safety auditor registered under section 4(1) of the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong) in 2006. The scope and objectives of the audit include (i) to ascertain the development, planning, organising, implementing and monitoring of our safety management system in accordance with the Factories and Industrial Undertaking (Safety Management) Regulations and the Code of Practice on Safety Management issued by the Labour Department; (ii) to ascertain the setting of objective and targets for continual improvement of our safety management system in accordance with the Factories and Industrial Undertaking (Safety Management) Regulations and the Code of Practice on Safety Management issued by the Labour Department; and (iii) to assess the effectiveness, efficient and reliability of our safety management system. According to the safety audit report issued by the safety auditor based on an audit conducted in March 2016, no material deficiency in relation to workplace safety has been identified by the safety auditor and our safety management system has continually fulfilled the safety regulations under the Factories and Industrial Undertakings Ordinance in all material respects.

Given the nature of the works of renovation service industry, the occurrence of accidents or injuries to workers on our sites is not uncommon in renovation service industry. For the associated risks, see “Risk Factors — Risks relating to our business — Failure to implement construction and building measures and procedures may lead to breach of laws or occurrence of personal injuries, property damages or fatal accidents.”.



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Our Directors are not aware of any material work-related accidents and injuries from employees of our Group and our subcontractors participated in our projects during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we had experienced six accidents<sup>(1)</sup> at our work sites, involving (i) toe injury; (ii) shoulder dislocation; (iii) distal radius fracture; (iv) arm laceration; (v) laceration and cut to chin and contusion and bruise to back, and (vi) calcaneal fracture of our subcontractor's workers, respectively. After the Track Record Period and up to the Latest Practicable Date, we had experienced one accident<sup>(1)</sup> at our work site in Hong Kong and one accident at our site in Macau, involving (i) abrasion, bruise and contusion and fracture concerning skull/scalp, eye and forearm; and (ii) injury to trunk and leg, respectively. Our Directors confirm that all these accidents are not serious in nature. To prevent future occurrence of similar accidents, we have conducted accident review meeting and provide relevant training to the workers shortly after the occurrence of each accident, and implemented further safety control measures, such as requiring workers to wear safety equipment and arranging our site representatives to inspect the workplace on a more frequent basis.

The table below compares the construction industry average against our Group with regard to accident rate per 1,000 workers and fatality rate per 1,000 workers.

Year ended 31 December/31 March	Construction industry average		Our Group <sup>(3)</sup>	
	Hong Kong <sup>(1)</sup>	Macau <sup>(2)</sup>	Hong Kong	Macau
<b>2013/2014</b>				
Accident rate per 1,000 workers	40.8	22.8	5.3	—
Fatality rate per 1,000 workers	0.28	0.20	—	—
<b>2014/2015</b>				
Accident rate per 1,000 workers	41.9	23.3	13.0	—
Fatality rate per 1,000 workers	0.24	0.15	—	—
<b>2015/2016</b>				
Accident rate per 1,000 workers	39.1	25.5	4.6	—
Fatality rate per 1,000 workers	0.20	0.20	—	—

*Notes:*

- Source: Labour Department; Crowe Horwath. The accident rates are for the three years ended 31 December 2015. Accidents cover those resulting in death or incapacity for work of over three days and reported under the Employee's Compensation Ordinance, according to the Labour Department.
- Source: Direcção dos Serviços de Estatística e Censos (DSEC) - Statistics and Census Service of Macau Government; Direcção dos Serviços para os Assuntos Laborais — The Labour Affair Bureau of Macau Government; Crowe Horwath. The accident frequency rates are for the three years ended 31 December 2015.
- Our Group's accident rate is calculated as the occurrence of accidents during the financial year divided by the daily average construction site workers in the construction sites during the financial year. The daily average construction site workers include employees of our Group and its subcontractors. The accident rates are for the three years ended 31 March 2016.

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The table below compares the construction industry average against our Group with regard to lost time injuries frequency rates (LTIFRs)<sup>(1)</sup>:

Year ended 31 December/31 March	Construction industry average		Our Group <sup>(4)</sup>	
	Hong Kong <sup>(2)</sup>	Macau <sup>(3)</sup>	Hong Kong	Macau
2013/2014	5.0	11.0	1.8	—
2014/2015	5.4	11.2	4.4	—
2015/2016	5.4	12.2	1.6	—

*Notes:*

1. LTIFRs are frequency rates that show the number of lost time injuries (LTIs) within a given time period (e.g. per 1,000,000 hours) relative to the total number of hours worked in the same period. LTIFRs are calculated by multiplying the number of LTIs happened in the relevant year by 1,000,000 and then dividing by the number of hours worked by the workers over that year. LTIs in Hong Kong refer to accidents resulting in death or incapacity for work of over three days and reported under the Employee's Compensation Ordinance.
2. Source: Labour Department; Crowe Horwath. The LTIFRs are for the three years ended 31 December 2015.
3. Source: Direcção dos Serviços de Estatística e Censos (DSEC) - Statistics and Census Service of Macau Government; Direcção dos Serviços para os Assuntos Laborais — The Labour Affair Bureau of Macau Government; Crowe Horwath. The LTIFRs are for the three years ended 31 December 2015.
4. The LTIFRs are for the three years ended 31 March 2016.

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 health and safety. Our Directors confirm that we have complied with in all material aspects of the relevant laws, rules and regulations relating to health and safety in carrying on our business during the Track Record Period.

### INSURANCE

In light of the risks relating to our business operations and in compliance with the applicable laws and regulations, we take out and maintain policies that we consider adequate and in line with the industry norm. In line with market practice, we generally take out and maintained employees' compensation insurance, contractor's all risks insurance and public liability insurance for our projects where we act as main contractor and the coverage of such policies include all works performed by us and our subcontractors. We have also taken out and maintained office safety insurance covering loss and damage to office content, public liabilities and personal accidents, employees' compensation insurance covering employees' compensation claims and personal injuries actions and group medical insurance.

For the three years ended 31 March 2016, our project insurance cost amounted to approximately HK\$3.3 million, HK\$6.6 million and HK\$4.7 million, respectively; and our general insurance cost amounted to approximately HK\$0.4 million, HK\$0.6 million and HK\$0.8 million, respectively. Although based on our past experience, industry developments, benchmarking and various other considerations, we consider our current policies are adequate for protecting us from most of the

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common liabilities associated with our business, our insurance coverage may not sufficiently indemnify all the risks exposed us. For associated risks, see “Risk Factors — Risks relating to our business — Our current insurance coverage may not sufficiently protect us against all the risks we are exposed to and we are subject to increase in insurance premium.”.

### MAJOR QUALIFICATION AND CERTIFICATIONS

The table below sets out the major qualification and certifications we held as at the Latest Practicable Date.

Year of grant	Recipient	Qualification/ Certifications	Awarding organisation/ authority	Expiry time
<i>Hong Kong</i>				
2006	IBI Limited	Registered General Building Contractor	Director of Buildings	February 2018
2007	IBI Limited/IBI Projects	ISO 9001	SGS United Kingdom Ltd <i>(Note)</i>	September 2018
2012	IBI Limited/IBI Projects	ISO 14001	SGS United Kingdom Ltd <i>(Note)</i>	September 2018
2012	IBI Limited/IBI Projects	OHSAS 18001	SGS Hong Kong Limited <i>(Note)</i>	December 2018
<i>Macau</i>				
2006	IBI Macau	Registration as a construction company	Land, Public Works and Transport Bureau of Macau	January 2017

*Note:* According to the Industry Report, SGS United Kingdom Ltd and SGS Hong Kong Limited are members of inspection, verification, testing and certification group and, to the best knowledge of our Directors, are Independent Third Parties.

### MARKET AND COMPETITION

According to the Industry Report, the renovation service industry in Hong Kong is fragmented and highly competitive. There were 696 registered general building contractors in Hong Kong as at the Latest Practicable Date. There is no single market leader dominating the market in general. The renovation service industry in Macau is dominated by certain major contractors, most of which are based in Hong Kong. According to the Industry Report, the industry players in Hong Kong and Macau generally compete with each other on market position, industry reputation, track record, relationship with the project owners, main contractors and industry professionals, such as project managers, as well as financial standing. Our Directors believe that we are able to distinguish ourselves from our competitors and maintain a steady growth of our business by virtue of our competitive strengths: (i) established reputation and proven track record; (ii) implementation, management and execution expertise in renovation projects; (iii) commitment to the management of risk, quality, health, safety and environment; (iv) stable business relationships with our suppliers; and (v) experienced and efficient management team and key personnel.

See “— Competitive strengths”.

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### SEASONALITY

Our Directors consider that neither our business nor our revenue was subject to any material seasonality during the Track Record Period.

### RESEARCH AND DEVELOPMENT



Our Directors confirm that we did not engage in any research and development activity during the Track Record Period and up to the Latest Practicable Date.

### INTELLECTUAL PROPERTY

#### Domain name

IBI Group has been the registrant of the domain name [www.ibi.com.hk](http://www.ibi.com.hk) since 2006.

#### Material trademarks

We have been operating our renovation business under the brand name of “IBI”. As at the Latest Practicable Date, we had registered three trademarks in Hong Kong, namely “”, “” and “”, which are material to our business. We have also applied for registration of our trademark, namely “” in Macau, on 6 April 2016. For further details of our intellectual property rights, see “Statutory and General Information — C. Further information about our business — 2. Our material intellectual property rights — (a) Trademark” in Appendix IV to this prospectus.

Our Directors confirm that we had not engaged in, and were not aware of, any material dispute, litigation or legal proceedings for violation of intellectual property rights during the Track Record Period and up to the Latest Practicable Date.

### PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased three properties in Hong Kong and Macau with a total GFA of 8,735 sq.ft. for office usage. Set out below are all of our leased properties in Hong Kong and Macau as at the Latest Practicable Date:

<u>Address</u>	<u>Usage</u>	<u>Approximate gross floor area</u>	<u>Lease period</u>
3/F, Bangkok Bank Building, 18 Bonham Strand West, Hong Kong	Office	4,655 sq.ft.	1 November 2013 to 31 October 2016 and renewed for 1 November 2016 to 5 June 2019

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Address	Usage	Approximate gross floor area	Lease period
Unit 1, 2/F, Bangkok Bank Building, 18 Bonham Strand West, Hong Kong	Office	2,642 sq.ft.	6 June 2016 to 5 June 2019
Alameda Dr. Carlos D'Assumpção 1600-206 and Avenida do Governador Jaime Silvério Marques 159-207, Edifício Comercial Tong Nam Ah, "N6"	Office	1,438 sq.ft.	1 September 2016 to 31 August 2018

For the three years ended 31 March 2016, our aggregate rental and related expenses were approximately HK\$1.4 million, HK\$1.6 million and HK\$1.7 million, respectively.

Our Directors confirm that none of our leased properties were leased from connected persons of our Company which would otherwise constitute connected transactions after the Listing. Our Directors further confirm that all of our leased properties had been with good title and there was no claims or disputes due to the title of any of our leased properties as at the Latest Practicable Date.

### EMPLOYEES

As at 31 March 2014, 2015 and 2016 and the Latest Practicable Date, we had 71, 71, 97 and 104 employees, respectively.

As at the Latest Practicable Date, we had 93 employees in Hong Kong and 11 employees in Macau. The number of our employees classified by function is as follows:

Function	Number of employees as at the Latest Practicable Date	% of total
Management	6	5.8%
Project management and procurement	74	71.2%
Tendering and commercial	10	9.6%
Administration, accounting, finance and marketing	10	9.6%
Health and safety	4	3.8%
Total	<u>104</u>	<u>100.0%</u>

In general, we recruit our staff mainly with reference to their experience, qualifications and expertise required for our operations. We offer training programmes to our employees, which are

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## BUSINESS

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designed to develop their skills that we need to meet our strategic goals, customer requirements, regulatory requirements and our internal control requirements. In particular, we also offer site training to our site personnel in respect of management of quality, environmental protection and health and safety matters.

Our Directors confirm that we did not have any material dispute with our employees during the Track Record Period and up to the Latest Practicable Date.

### REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

As at the Latest Practicable Date, there were no litigation, claim or arbitration proceeding pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations.

Our Directors confirm that, (i) we had obtained all licences, permits, approvals, qualification and certificates material for our business operation in Hong Kong and Macau, and (ii) we had complied with applicable laws and regulations in all material respects in Hong Kong and Macau, during the Track Record Period and up to the Latest Practicable Date.

### RISK MANAGEMENT AND INTERNAL CONTROL

We recognise the need for risk management and internal control in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objectives. For details on risks faced by our Group, see “Risk Factors”. All such risks may arise from time to time in connection with the operations of our Group.

Our Board and senior management are responsible for identifying and analysing the risks associated with their respective function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management. For details on the qualifications and experiences of the members of our audit committee and our Board, see “Directors and Senior Management”.

We have established the following structures and measures to manage our risks:

- (1) our Board conducts a thorough examination of any material risks associated with any material business decision before making or approving such decision;
- (2) our senior management monitors daily operations and any associated operational risks of our Group. They are also responsible for identifying and assessing potential market risks related to fluctuations in industrial environment and movements in market variables and report irregularities in connection with operational and market risks to our executive Directors for formulating policies to mitigate these risks;
- (3) our audit committee reviews the internal control system and procedures for compliance with the requirements of applicable laws, rules and regulations;

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## BUSINESS

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- (4) our Directors have attended trainings conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (5) we have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules upon Listing;
- (6) we have engaged an internal control consultant in 2016 to perform a detailed evaluation of our Group's internal control system including the areas of financial, operation, compliance and risk management. As at the Latest Practicable Date, we had implemented the relevant internal control measures based on the recommendation of the internal control consultant; and
- (7) we provide training to our employees in order to enhance their industry knowledge to manage our operational risks.

In addition, we will appoint (i) an internal control consultant to provide advice and review our internal control system regarding internal control matters on a regular basis after Listing; and (ii) external legal advisers after Listing to advise us on compliance with and to provide us with updates on the changes in the Listing Rules and the applicable Hong Kong laws, rules and regulations from time to time and as required. With the assistance of our external Hong Kong legal advisers, the compliance adviser, internal control consultant and company secretary, we aim to maintain effective internal control system and corporate governance measures upon Listing, as well as ensure that our Group's operations are in compliance with the applicable laws, rules and regulations with respect to our business operations in the Hong Kong and Macau.

Our Directors confirm that no material failure occurred and we believe that our internal control and risk management system were sufficient and effective during the Track Record Period.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

Immediately upon completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), Brilliant Blue Sky will be interested in approximately 48.60% of our total issued Shares. Brilliant Blue Sky is beneficially and wholly owned by Mr. Howard, our executive Director, chairman of our Board and our chief executive officer. Brilliant Blue Sky will continue to control 30% or more of our issued share capital and therefore, Brilliant Blue Sky and Mr. Howard will be regarded as the controlling shareholders of our Company under the Listing Rules.

Each of our Controlling Shareholders and our Directors, including our independent non-executive Directors, has confirmed that, he/it does not have and none of his/its respective close associates has interests in any businesses other than our business which compete, or are likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group can function, operate and carry on our business, and is financially and operationally, independent of our Controlling Shareholders and their respective close associates based on the following reasons:

#### Management independence

Our Board and our senior management function independently from our Controlling Shareholders and their close associates. Given that Brilliant Blue Sky has no business operation other than its shareholding interests in our Company, our Directors do not consider that there is any issue in relation to the management independence arising from the overlapping of directors (being Mr. Howard) between our Company and Brilliant Blue Sky. Our Directors believe that our Board, as a whole, together with our senior management, is able to manage our business independently from our Controlling Shareholders for the following reasons:

- (i) with three independent non-executive Directors out of a total of five Directors in our Board, there will be a sufficiently robust and independent voice within our Board to protect the interests of our independent Shareholders;
- (ii) each of our Directors is aware of his fiduciary duties as a Director, which require, that he acts for the benefit and in the best interests of our Shareholders and our Company as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director; and
- (iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Operational independence

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their close associates:

- (i) we have established our own organisational structure made up of functional departments, each with specific areas of responsibility;
- (ii) we have independent access to our customers. Our Group has not shared our operational resources, such as marketing, sale and general administration resources with our controlling shareholders and close associates; and
- (iii) we are the holder of all relevant licences and qualifications material to the operation of our business.

### Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their close associates upon Listing. During the Track Record Period, our Controlling Shareholders and certain entities controlled by our Controlling Shareholders and their close associates entered into related party transactions with our Group in the ordinary course of our business and on normal commercial terms. Such related party transactions are disclosed in Note 25 to the Accountant's Report in Appendix I to this prospectus. Our Directors confirm that all related party transactions with our Controlling Shareholders and their close associates had discontinued as at the Latest Practicable Date. All loans, advances and balances due to and from our Controlling Shareholders and their close associates (e.g., the shareholder loan) had been fully settled as at the Latest Practicable Date and that all guarantees provided by our Controlling Shareholders and their close associates to our Group's borrowings and performance bonds will be fully released and/or substituted by the security provided by members of our Group upon Listing. In addition, we have our own internal control and independent accounting systems, accounting and finance department. We believe we are capable of obtaining financing from third parties without reliance on our Controlling Shareholders.

### DEED OF NON-COMPETITION

In order to avoid potential conflicts of interests between our Controlling Shareholders and our Company, our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for itself and for the benefits of each other member of our Group) on 20 September 2016, pursuant to which they unconditionally and irrevocably agree, undertake to and covenant with our Company (for itself and for the benefits of each other member of our Group) that they would not, and would procure that their respective close associates (other than any members of our Group) would not, directly or indirectly, either on its/his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes or is likely to

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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compete, directly or indirectly, with the business operated by our Group as described in this prospectus and any other business from time to time conducted, carried on or contemplated to be carried on by any member of our Group or in which any member of our Group is engaged or has invested or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the “**Restricted Business**”).

Our Controlling Shareholders have further unconditionally and irrevocably agreed, undertaken to and covenanted with our Company to procure that any business investment or other commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business (the “**New Opportunities**”) given, identified or offered to it/him and/or any of their close associates (other than any members of our Group) (the “**Offeror**”) is first referred to our Group in the following manner:

- our Controlling Shareholders are required to, and shall procure their close associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to our Company, and shall give written notice to our Company of any New Opportunities containing all information reasonably necessary for our Company to consider whether (a) such New Opportunities would constitute competition with our Group’s core business, and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the “**Offer Notice**”); and
- the Offeror will be entitled to pursue the New Opportunities only if (i) the Offeror has received a notice from our Company declining the New Opportunities and confirming that such New Opportunities would not constitute competition with our Group’s core business; or (ii) the Offeror has not received such notice from our Company within 10 business days from our Company’s receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to our Company in the manner as set out above. Upon receipt of the Offer Notice, our Company shall seek opinions and decisions from our independent non-executive Directors who do not have a material interest in the matter as to whether (i) such New Opportunities would constitute competition with our Group’s core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

In order to promote good corporate governance practices and to improve transparency, our Controlling Shareholders undertake with our Company in the Deed of Non-competition the following:

- to provide all information requested by our Company which is necessary for an annual review by our independent non-executive Directors of their compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- to procure our Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcements to the public; and
- to make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual reports of our Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

The aforesaid undertakings do not apply with respect to (i) the holding of or interests in the shares of any member of our Group, or (ii) the holding of or interests in shares of a company (other than members of our Group) whose shares are listed on the Stock Exchange or a stock exchange recognised by the Stock Exchange or the SFC provided that (a) the relevant Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets, as shown in that company's latest audited accounts, or (b) such holding of or interests in shares does not exceed 5% of the outstanding voting shares of that class of the relevant company, and our Controlling Shareholders, and their close associates (other than members of our Group), whether acting singly or jointly, are not entitled to appoint a majority of the board of directors of such company and at any time there should exist at least another shareholder of such company (together, where appropriate, with their close associates) whose shareholdings in such company should be more than the total number of shares held by our Controlling Shareholders in aggregate and/or their close associates in aggregate.

The Deed of Non-competition will take effect upon Listing and will lapse upon occurrence of the earlier of (i) the Shares cease to be listed on the Stock Exchange or any other stock exchange recognised by the Stock Exchange or the SFC, (ii) our Company becomes wholly-owned by our Controlling Shareholders and/or their close associates (whether individually or collectively), or (iii) our Controlling Shareholders cease to be the controlling shareholders of our Company.

### CORPORATE GOVERNANCE MEASURES

Our Company will further adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- (i) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (ii) our Controlling Shareholders have undertaken to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition either through an annual report, or by way of announcement to the public;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (iv) our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-competition in the annual reports of our Company; and
- (v) pursuant to the Corporate Governance Code set out in Appendix 14 to the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

### UNDERTAKINGS

Each of our Controlling Shareholders has also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rule 10.07 of the Listing Rules.

Each of our Controlling Shareholders has further voluntarily undertaken to our Company and the Stock Exchange for an additional 12 months commencing on the date on which the undertaking under Rule 10.07(1)(b) of the Listing Rules expires, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would together cease to be our controlling shareholders. For further details, see "Underwriting — Underwriting arrangements and expenses — Public Offer — Lock-up undertakings to the Stock Exchange".

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## DIRECTORS AND SENIOR MANAGEMENT

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### GENERAL

#### Directors

The table below presents certain information in respect of the members of our Board:

Name	Age	Current position/title in our Group	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
<i>Executive Directors</i>					
Mr. Neil David HOWARD	45	Executive Director, chairman, chief executive officer	1 November 2006	13 April 2016	Corporate strategic planning and overall business development of our Group
Mr. Steven Paul SMITHERS	48	Executive Director, chief operations officer	2 May 2006	13 April 2016	Corporate strategic planning, overall business development, management and operations of our Group
<i>Independent non-executive Directors</i>					
Mr. Richard Gareth WILLIAMS	68	Independent non-executive Director	20 September 2016	20 September 2016	Providing independent advice to our Board
Mr. Robert Peter ANDREWS	59	Independent non-executive Director	20 September 2016	20 September 2016	Providing independent advice to our Board
Mr. Lap Shek Eddie WONG (王立石)	51	Independent non-executive Director	20 September 2016	20 September 2016	Providing independent advice to our Board

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## DIRECTORS AND SENIOR MANAGEMENT

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### Senior management

The table below presents certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>	<u>Current position/title in our Group</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities</u>
Mr. Kwan John LAU (劉群)	48	Tendering director	18 June 2001	Overseeing our tendering department and recruitment of project related staff
Mr. Siu Hong LUI (雷兆康)	42	Regional director	12 September 2005	Overseeing our Macau operations
Mr. Wai Fung KONG (江偉鋒)	41	Commercial director	1 December 2009	Overseeing our commercial department
Ms. Wai Che Rosanna CHU (朱偉芝)	49	Chief financial officer	22 December 2003	Overseeing our financial and accounting functions

### BOARD OF DIRECTORS

Our Board is the primary decision-making body of our Company, setting fundamental business strategies and policies for the management and operation of our business and monitoring their implementation. Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors.

#### Executive Directors

##### *Mr. Neil David Howard*

Mr. Howard, aged 45, was appointed as a Director on 13 April 2016 and redesignated as an executive Director, the chairman of our Board and chief executive officer on 11 June 2016. Mr. Howard is a director of each of our subsidiaries. He is the chairman of the nomination committee, and a member of the remuneration committee of our Company. He is responsible for corporate strategic planning and overall business development of our Group.

Mr. Howard has been with our Group for over nine years since joining our Group as a director of IBI Limited in November 2006 and a managing director of IBI Macau since August 2007.

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## DIRECTORS AND SENIOR MANAGEMENT

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Prior to joining our Group in November 2006, Mr. Howard was the regional operations director at a company currently known as Global Beauty International Management Limited (principally engaged in health and lifestyle services) from July 2002 to March 2005 where he was primarily responsible for upgrading the company's portfolio of treatment centres throughout the Asia region.

Mr. Howard graduated from University of the West of England, Bristol in the United Kingdom with a bachelor's degree of science in quantity surveying in July 1993. Mr. Howard then completed a course in advanced insolvency law and practice 1 from The University of Southern Queensland in Australia in July 2000. He also obtained a diploma in insolvency from the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in Hong Kong in November 2001.

Mr. Howard was a director of Golden Port Asia Limited, a company incorporated in Hong Kong and dissolved by voluntary deregistration (but not by member's voluntary winding-up) on 4 July 2014 pursuant to section 291AA of the Predecessor Companies Ordinance. Mr. Howard confirms that such company had been inactive and was solvent at the time of dissolution. Mr. Howard further confirms that there is no fraudulent act or misfeasance on his part leading to the deregistration of such company and he is not aware of any actual or potential claim has been or will be made against him as a result of the deregistration of such company.

### *Mr. Steven Paul Smithers*

Mr. Smithers, aged 48, was appointed as a Director on 13 April 2016 and redesignated as an executive Director and the chief operations officer on 11 June 2016. Mr. Smithers is a director of each of our subsidiaries. He is a member of the remuneration committee and nomination committee of our Company. He is responsible for corporate strategic planning, overall business development, management and operations of our Group.

Mr. Smithers has over 21 years of working experience in the construction industry in Hong Kong. Prior to joining our Group in May 2006 as a senior project manager, he was last employed as a compliance and co-ordination manager at group companies under Paul Y. group (which was principally engaged in construction services) from March 1996 to April 2006 and he was primarily responsible for managing the tender and pre-qualification process and general management activities. From October 1994 to February 1996, Mr. Smithers worked as a quality assurance consultant at Construction Quality Management Ltd. (principally engaged in ISO accredited management systems), where he was seconded to Paul Y. group.

Mr. Smithers graduated from Brighton Polytechnic (currently known as the University of Brighton) in the United Kingdom with a bachelor's degree of science in building engineering and management in July 1991. Mr. Smithers then obtained a master's degree of business administration from University of Leicester in the United Kingdom in July 1998. Mr. Smithers was admitted as a member and a fellow of the Chartered Institute of Building in the United Kingdom in August 1997 and June 2014, respectively. He was also admitted as a member of the Institute of Management in the United Kingdom in May 1998.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Smithers was a director of Design Up Limited, a company incorporated in Hong Kong and dissolved by voluntary deregistration (but not by member's voluntary winding-up) on 29 May 2015 pursuant to section 751 of the Companies Ordinance. Mr. Smithers is also a director of First Concept Corporation Limited, a company incorporated in Hong Kong, which is in the process of voluntary deregistration under section 751 of the Companies Ordinance. Mr. Smithers confirms that such companies had been inactive and was solvent at the time of dissolution or commencement of voluntary deregistration. Mr. Smithers further confirms that there is no fraudulent act or misfeasance on his part leading to the deregistration of such companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the deregistration of such companies.

### **Independent non-executive Directors**

#### ***Mr. Richard Gareth Williams***

Mr. Williams, aged 68, was appointed as an independent non-executive Director on 20 September 2016. He is responsible for providing independent advice to our Board. He is a member of each of the audit committee, remuneration committee and nomination committee of our Company. Mr. Williams has over 40 years of experience in the areas of property valuation and estate agency. Mr. Williams is the principal of Gareth Williams & Associates (principally engaged in property valuation and estate agency) where he is primarily responsible for specialist property valuations and acquisitions and disposal of investment properties since January 2006. Additionally, he is currently a non-executive director of Wheelock Properties (Hong Kong) Limited (principally engaged in property services in Hong Kong).

Mr. Williams was a property investment director of Wheelock Properties (Hong Kong) Limited from October 2004 to July 2006 where he was responsible for property services. From June 2002 to September 2004, he worked as the chief executive in the Hong Kong office of Knight Frank Asia Pacific Pte. Ltd. (principally engaged in providing property related services) where he was responsible for the overall management. From May 1979 to June 2002, Mr. Williams worked for Vigers Hong Kong Limited (principally engaged in valuation, property consultancy and estate agency) with his last position as the chairman and chief executive officer where he was primarily responsible for provision of property valuation and estate agency services. From May 1976 to April 1979, Mr. Williams served as rating and valuation surveyor at the Rating and Valuation Department of the Hong Kong Government.

Mr. Williams was certified as a fellow of the Royal Institution of Chartered Surveyors in the United Kingdom and was elected as a fellow of the Hong Kong Institute of Surveyors in June 1984 and December 1984, respectively. Additionally, he was also admitted as a member of the Chartered Institute of Arbitrators and a practising member of The Academy of Experts, both based in the United Kingdom, in December 1999 and April 2009, respectively.

Mr. Williams was a director of Brovent Limited, a company incorporated in Hong Kong and dissolved by voluntary deregistration (but not by member's voluntary winding-up) on 1 April 2016 pursuant to section 751 of the Companies Ordinance. Mr. Williams confirms that such company ceased



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## DIRECTORS AND SENIOR MANAGEMENT

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business and was solvent at the time of dissolution. Mr. Williams further confirms that there is no fraudulent act or misfeasance on his part leading to the deregistration of such company and he is not aware of any actual or potential claim has been or will be made against him as a result of the deregistration of such company.

***Mr. Robert Peter Andrews***

Mr. Andrews, aged 59, was appointed as an independent non-executive Director on 20 September 2016. He is responsible for providing independent advice to our Board. He is the chairman of the remuneration committee, and a member of the nomination committee and audit committee of our Company. Mr. Andrews has over 26 years of experience in the construction industry. Mr. Andrews is the director of Andrews Commercial Services Limited (principally engaged in consultancy services in the construction industry) since April 2013.

Mr. Andrews worked at Leighton Contractors (Asia) Limited (principally engaged in construction) from January 1990 to March 2013, with his last position as the divisional commercial manager of Hong Kong and Macau, where he was primarily responsible for overseeing contractual and commercial aspect of the business unit.

Mr. Andrews obtained his diploma in quantity surveying from Cauldon College (currently known as Stoke On Trent College) in the United Kingdom in June 1979. He then obtained a certificate of commercial mediation conducted by The Accord Group Australia in association with the Mediation Council of the Hong Kong International Arbitration Centre in Hong Kong in December 1998.

Mr. Andrews was a director of Knighton Investments Limited, a company incorporated in Hong Kong and dissolved by striking off (but not by member's voluntary winding-up) on 11 April 2003 pursuant to section 291 of the Predecessor Companies Ordinance. Mr. Andrews confirms that such company had been inactive and was solvent at the time of dissolution. Mr. Andrews further confirms that there is no fraudulent act or misfeasance on his part leading to the striking off of such company and he is not aware of any actual or potential claim has been or will be made against him as a result of the striking off of such company.

***Mr. Lap Shek Eddie Wong (王立石)***

Mr. Wong, aged 51, was appointed as an independent non-executive Director on 20 September 2016. He is responsible for providing independent advice to our Board. He is the chairman of the audit committee, and a member of the remuneration committee and nomination committee of our Company. Mr. Wong has been working at Young Brothers Aviation Ltd. (principally engaged in aviation investments) as their chief financial officer since November 2000.

Mr. Wong has over 23 years of working experience in the fields of finance and accounting. Mr. Wong acted as an independent non-executive director for Ming Hing Waterworks Holdings Limited (stock code: 402) (currently known as Peace Map Holding Ltd.) (which was principally engaged in waterworks engineering) from October 2008 to September 2010. He worked as a group accounting manager at Tianjin Development Holdings Limited (stock code: 882), principally engaged in utilities operations, infrastructure operations and other investments, from February 1998 to November 2000.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wong was an accountant at Firststone International Holdings Limited (stock code: 530) (currently known as Goldin Financial Holdings Limited), which was principally engaged in winery and wine related business, from October 1995 to February 1998. He worked as a staff accountant III at Ernst & Young from April 1994 to October 1995.

Mr. Wong graduated from Curtin University of Technology in Australia with a bachelor's degree of business in accounting in August 1992. He then obtained a second bachelor's degree in Chinese law jointly offered by Tsinghua University in the PRC and Hong Kong University School of Professional and Continuing Education in Hong Kong in July 2005. Mr. Wong is an associate of the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) certified in June 1997, a certified practising accountant of the Australian Society of Certified Practising Accountants admitted in December 1995, and a certified tax adviser of The Taxation Institute of Hong Kong registered in January 2015.

Mr. Wong was a director of Bondway Investment Limited, a company incorporated in Hong Kong and dissolved by voluntary deregistration (but not by member's voluntary winding-up) on 27 July 2001 pursuant to section 291AA of the Predecessor Companies Ordinance. Mr. Wong confirms that such company ceased business and was solvent at the time of dissolution. Mr. Wong further confirms that there is no fraudulent act or misfeasance on his part leading to the deregistration of such company and he is not aware of any actual or potential claim has been or will be made against him as a result of the deregistration of such company.

### SENIOR MANAGEMENT

Our senior management comprises the following personnel:

#### **Mr. Kwan John Lau (劉群)**

Mr. Lau, aged 48, first joined our Group in June 2001, and is currently the tendering director of our Group. He is responsible for overseeing tenders and recruitment of project-related staff.

Mr. Lau has over 21 years of working experience in the areas of property development and fitting-out. Prior to joining our Group, he worked as a project manager for L.P. Contractors & Construction Co., (H.K.) Ltd. (principally engaged in interior decoration business) from July 1998 to June 2001 where he was primarily responsible for the overall management of the company. From July 1996 to July 1998, he worked as a project manager at Global Top Design & Engineering Ltd. (principally engaged in interior fitting-out business) where he was primarily responsible for fitting-out project management. From August 1992 to April 1994, Mr. Lau worked as the site supervisor at Interior Contract International Limited (principally engaged in fitting-out, decoration and contracting) where he was primarily responsible for fitting-out project management.

Mr. Lau graduated with a bachelor's degree of engineering in industrial and civil engineering from Hunan University in the PRC in July 1990. He then graduated with a master's degree of science in facility management from The Hong Kong Polytechnic University in Hong Kong in December 2005.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Mr. Siu Hong Lui (雷兆康)**

Mr. Lui, aged 42, first joined our Group in September 2005, and is currently the regional director of our Group. He is responsible for overseeing the Macau operations of our Group.

Mr. Lui has over 16 years of working experience in the construction industry. Prior to joining our Group, Mr. Lui worked as a quantity surveyor for Paul Y. Construction Company, Limited from May 2001 to February 2005. He worked as an assistant quantity surveyor in Gammon Construction Limited and Kier Hong Kong Limited (both principally engaged in civil construction works) from June 2000 to November 2000 and from August 1998 to July 1999, respectively. Mr. Lui worked at Universal Dockyard, Limited with his last position as the assistant quantity surveyor (principally engaged in marine and civil construction works) from October 1994 to May 1996 where he was primarily responsible for project budget planning and project subcontracting.

Mr. Lui was awarded a certificate in building studies from the Vocational Training Council for completing a course at Morrison Hill Technical Institute (currently known as the Hong Kong Institute of Vocational Education (Morrison Hill)) in Hong Kong in July 1997. He then obtained a higher diploma in building and construction from City University of Hong Kong in Hong Kong in November 2000. Subsequently, Mr. Lui graduated with a bachelor's degree of science in construction management from University of Wolverhampton in the United Kingdom in October 2005, before attaining a master's degree of science in construction law and dispute resolution from the Hong Kong Polytechnic University in Hong Kong in October 2008.

### **Mr. Wai Fung Kong (江偉鋒)**

Mr. Kong, aged 41, first joined our Group in December 2009, and is currently the commercial director of our Group. He is responsible for overseeing the commercial department of our Group.

Mr. Kong has over 14 years of working experience in the field of quantity surveying. He worked as a project quantity surveyor for Chun Wo Construction and Engineering Company Limited, principally engaged in construction, from May 2009 to November 2009. Mr. Kong worked as a quantity surveying consultant for Rick's Management Consultancy Limited (principally engaged in quantity surveying consultancy services) from October 2006 to March 2009. Mr. Kong worked as a project quantity surveyor for New House Construction Co., Ltd, principally engaged in construction services, from June 2005 to September 2006. He worked as an assistant quantity surveyor at D. G. Jones & Partners (H.K.) Ltd. and then as a quantity surveyor at Northcroft Hong Kong Ltd., both principally engaged in construction consultancy services, from July 2001 to April 2002 and from July 2002 to August 2004, respectively.

Mr. Kong graduated with a bachelor's degree of science in quantity surveying and a master's degree of engineering in building engineering from City University of Hong Kong in Hong Kong in November 2001. He was elected as a professional member of the Royal Institution of Chartered Surveyors and was certified as a registered professional surveyor in the quantity surveying division by the Surveyors Registration Board in February 2010 and April 2013, respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Ms. Wai Che Rosanna Chu (朱偉芝)**

Ms. Chu, aged 49, first joined our Group in December 2003, and is currently the chief financial officer of our Group. She is responsible for overseeing the financial and accounting functions of our Group.

Ms. Chu has over 24 years of working experience in the field of accounting. Prior to joining our Group, from July 2002 to June 2003, Ms. Chu worked as a senior manager in the finance department of PricewaterhouseCoopers. From April 1996 to June 2002, she worked as a manager in the finance department of Arthur Andersen & Co. From September 1990 to March 1996, she was employed by Ernst & Young, with her last position as manager in the audit department.

Ms. Chu graduated with a bachelor's degree of commerce from The University of Manitoba in Canada in May 1989. She is a member of the American Institute of Certified Public Accountants, certified in July 1995, and an associate of the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) certified in December 1995.

### **COMPANY SECRETARY**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. The Stock Exchange considers (a) a member of The Hong Kong Institute of Chartered Secretaries, (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) to be acceptable academic or professional qualifications.

We have appointed Mr. Yun Wah Man who satisfies the qualification requirements under Rules 3.28 and 8.17 of the Listing Rules, as the company secretary of our Company.

### **Mr. Yun Wah Man (文潤華)**

Mr. Man, aged 33, was appointed as the company secretary of our Company on 11 June 2016. He is the principal and head of corporate advisory division of Dominic K.F. Chan & Co., and a director of RHT Corporate Advisory (HK) Ltd.. Mr. Man has over seven years of experience in corporate services.

Mr. Man is an associate member of The Institute of Chartered Secretaries and Administrators and an associate member of The Hong Kong Institute of Chartered Secretaries certified in March 2015.

Mr. Man obtained a bachelor's degree of arts in business administration and management from University of Huddersfield in the United Kingdom in March 2010 and a master's degree of corporate governance from The Open University of Hong Kong in Hong Kong in November 2014.

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## DIRECTORS AND SENIOR MANAGEMENT

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### CORPORATE GOVERNANCE

Upon Listing, our Company intends to comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules with the exception for Code A.2.1, which requires the roles of chairman and chief executive be different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Howard holds both positions. Mr. Howard has been primarily responsible for overseeing our Group's general management and business development of our Group and for formulating business strategies and policies for our business management and operations since he joined our Group in 2006. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our independent non-executive Directors) consider it is most suitable for Mr. Howard to hold both the positions of chief executive officer and the chairman of our Board and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

### BOARD COMMITTEES

Our Board delegates certain responsibilities to our audit committee, remuneration committee and nomination committee. In accordance with the Listing Rules, our Articles of Association and the relevant laws and regulations in Hong Kong and the Cayman Islands, we have formed the following committees:

#### **Audit committee**

We have established our audit committee in compliance with Rule 3.21 of the Listing Rules on 20 September 2016. Our audit committee consists of three members, namely Mr. Lap Shek Eddie Wong (chairman), Mr. Richard Gareth Williams and Mr. Robert Peter Andrews. The primary duties of our audit committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

#### **Remuneration committee**

We established our remuneration committee in compliance with Rule 3.25 of the Listing Rules on 20 September 2016. Our remuneration committee consists of five members, namely Mr. Robert Peter Andrews (chairman), Mr. Lap Shek Eddie Wong, Mr. Richard Gareth Williams, Mr. Howard and Mr. Smithers. The primary duties of our remuneration committee are to evaluate the performance of our Directors and senior management and determine the remuneration package of our Directors and senior management.

#### **Nomination committee**

We established our nomination committee in compliance with the Corporate Governance Code on 20 September 2016. Our nomination committee consists of five members, namely Mr. Howard (chairman), Mr. Lap Shek Eddie Wong, Mr. Richard Gareth Williams, Mr. Robert Peter Andrews and Mr. Smithers. The primary duties of our nomination committee are to make recommendations to our Board on the appointment of our Directors and senior management.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTOR'S INTEREST

Except as disclosed in this prospectus, to the best knowledge, information, and belief of our Directors having made all reasonable enquiries, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Director, senior management, substantial Shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years immediately prior to the date of this prospectus. Except as disclosed in this prospectus, to the best knowledge, information, and belief of our Directors having made all reasonable enquiries, none of our senior management held any directorships in listed public companies in the three years prior to the date of this prospectus. As at the Latest Practicable Date, except as disclosed in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Further, save as disclosed in this prospectus, there is no other matter with respect to our Directors that need to be brought to the attention of our Shareholders and there is no information of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and our senior management receive remuneration in the form of salaries, allowances and other benefits, including our contribution on defined contribution retirement plans.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid or payable to our Directors for each of the financial years ended 31 March 2014, 2015 and 2016 were approximately HK\$5.7 million, HK\$7.5 million and HK\$5.7 million, respectively.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid or payable to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) for each of the financial years ended 31 March 2014, 2015 and 2016 were approximately HK\$4.0 million, HK\$4.6 million and HK\$4.2 million, respectively.

It is estimated that an aggregate amount of remuneration equivalent to approximately HK\$6.3 million will be payable and granted to our Directors by us for the year ending 31 March 2017 under arrangements in force on the date of this prospectus.

Save as disclosed in this prospectus, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group; (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments during the same period.

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## DIRECTORS AND SENIOR MANAGEMENT

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Save as disclosed in this prospectus, no Director or none of the five highest paid individuals has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of us.

### COMPLIANCE ADVISER

We have appointed Lego Corporate Finance Limited as our compliance adviser on 15 June 2016 pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

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## SHARE CAPITAL

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### Authorised and issued share capital

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Share Offer and the Capitalisation Issue:

	<i>HK\$</i>
<i>Authorised share capital as of the date of this prospectus and immediately after the completion of the Share Offer and the Capitalisation Issue</i>	
10,000,000,000 Shares of HK\$0.01 each	<u>100,000,000</u>
<i>Issued Shares as of the date of this prospectus</i>	
1,000 Shares of HK\$0.01 each	10
<i>Issued Shares pursuant to the Share Offer</i>	
200,000,000 Shares of HK\$0.01 each	2,000,000
<i>Issued Shares pursuant to the Capitalisation Issue</i>	
599,999,000 Shares of HK\$0.01 each	5,999,990
<i>Total issued Shares immediately after the completion of the Share Offer and the Capitalisation Issue</i>	
800,000,000 Shares of HK\$0.01 each	<u>8,000,000</u>

### Assumptions

This table assumes the Share Offer has become unconditional and the issue of Shares pursuant thereto and the Capitalisation Issue are made as described herein. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme or repurchased by our Company under the Issuing Mandate and Repurchase Mandate granted to our Board as referred to below or otherwise.

### Ranking

The Offer Shares and the Shares that may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme shall rank pari passu with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid thereafter.



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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Our Board has been granted with the Issuing Mandate to allot, issue and deal in an aggregate number of Shares that is no more than the sum of:

- (a) 20% of the total number of Shares issued by our Company immediately upon completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by our Company, if any, under the Repurchase Mandate referred to below.

The aggregate number of Shares which our Directors are authorised to allot and issue under the Issuing Mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue; or (ii) any specific authority granted by our Shareholders in general meeting(s).

The Issuing Mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable law or our Articles to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

For further details of the Issuing Mandate, see "Statutory and General Information — A. Further information about our Company — 5. Resolutions in writing of our Shareholders passed on 20 September 2016" in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Our Board has been granted with the Repurchase Mandate to exercise all the powers of our Company to repurchase an aggregate number of Shares that is no more than 10% of the total number of Shares issued by our Company immediately upon completion of the Share Offer and the Capitalisation Issue (but prior to the exercise of any options that may be granted under the Share Option Scheme).

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), subject to and in accordance with our Articles, all applicable laws and regulations, and the requirements of the Listing Rules and any other stock exchange on which our securities may be listed, as amended from time to time. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in "Statutory and General Information — B. Repurchase of our Shares" in Appendix IV to this prospectus.

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## SHARE CAPITAL

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The Repurchase Mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable law or our Articles to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

### **CIRCUMSTANCES WHERE MEETING OF OUR COMPANY ARE REQUIRED**

The circumstances which general meeting and class meeting are required are provided in our Articles, details of which are set out in "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (e) Meetings of member — (iv) Notices of meetings and business to be conducted" in Appendix III to this prospectus.

### **SHARE OPTION SCHEME**

On 20 September 2016, we conditionally adopted the Share Option Scheme. Please refer to "Statutory and General Information — F. Share Option Scheme" in Appendix IV to this prospectus for summaries of the principal terms of the Share Option Scheme.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be issued pursuant to the exercise of any option that may be granted under Share Option Scheme, the following persons will 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 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 our Company and therefore regarded as substantial shareholders of our Company under the Listing Rules:

Name of shareholder	Capacity/Nature of interest	Number of Shares held <sup>1</sup>	Approximate percentage
Brilliant Blue Sky	Beneficial interest	388,800,000	48.60%
Mr. Howard <sup>2</sup>	Interest in controlled corporation	388,800,000	48.60%
Ms. Shuen Jolie Chung Howard <sup>3</sup>	Interest of spouse	388,800,000	48.60%
Breadnbuter Holdings <sup>4</sup>	Beneficial interest	151,200,000	18.90%
Mr. Smithers	Interest in controlled corporation	151,200,000	18.90%
Ms. Yuk Fan Joe Lam <sup>5</sup>	Interest of spouse	151,200,000	18.90%

*Notes:*

- (1) All interests stated are long positions.
- (2) Brilliant Blue Sky is wholly-owned by Mr. Howard, and therefore Mr. Howard is deemed to be interested in the 388,800,000 Shares held by Brilliant Blue Sky pursuant to the SFO.
- (3) Ms. Shuen Jolie Chung Howard, the spouse of Mr. Howard, is deemed to be interested in the 388,800,000 Shares held by Mr. Howard, through his controlled corporation, Brilliant Blue Sky, pursuant to the SFO.
- (4) Breadnbuter Holdings is wholly-owned by Mr. Smithers and therefore Mr. Smithers is deemed to be interested in the 151,200,000 Shares held by Breadnbuter Holdings pursuant to the SFO.
- (5) Ms. Yuk Fan Joe Lam, the spouse of Mr. Smithers, is deemed to be interested in the 151,200,000 Shares held by Mr. Smithers, through his controlled corporation, Breadnbuter Holdings, pursuant to the SFO.

Save as disclosed in this prospectus, our Directors are not aware of any persons who will, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account Shares to be issued pursuant to the exercise of options under the Share Option Scheme), 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 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 in the general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our Group's audited combined financial information, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this prospectus ("the Combined Financial Information"). Our Group's Combined Financial Information has been prepared in accordance with the HKFRS. You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see "Risk Factors".*

*Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this prospectus may be due to rounding.*

### OVERVIEW

We are a building contractor focusing on providing renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau. Our two main types of projects are (i) fitting-out projects; and (ii) alteration and addition projects. We engage subcontractors from different trades for works which are generally labour intensive or require specific skill sets so that we can focus on our core competencies.

For the years ended 31 March 2014, 2015 and 2016, our Group generated revenue of approximately HK\$456.8 million, HK\$539.5 million and HK\$661.1 million, respectively, representing a CAGR of approximately 20.3%. For the years ended 31 March 2014, 2015 and 2016, our Group's net profit amounted to approximately HK\$14.6 million, HK\$22.4 million and HK\$28.3 million, respectively.

### BASIS OF PRESENTATION

Pursuant to the Reorganisation, our Company became the holding company of the subsidiaries now comprising our Group on 13 May 2016. The relevant steps of the Reorganisation are detailed in "History, Reorganisation and Corporate Structure". As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any change of economic substances, our Combined Financial Information has been presented as a continuance of the existing group using the merger basis of accounting.

Our Combined Financial Information has been prepared in accordance with the HKFRS and applicable disclosures requirements of the Listing Rules and the Companies Ordinance. Our Combined Financial Information is presented in Hong Kong dollar, which is our functional and presentation currency.

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## **FINANCIAL INFORMATION**

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Details regarding the basis of presentation and preparation of our Combined Financial Information are set out in notes 2 and 4 to the Accountant's Report.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

#### **Demand for renovation services in Hong Kong and Macau**

All of our revenue was derived in Hong Kong and Macau during the Track Record Period. Thus, our business depends on a large extent on the level of demand for our renovation services in Hong Kong and Macau, which is in turn largely subject to the continued availability of construction and building activities, the nature, extent and timing of which will be determined by the interplay of a variety of factors, in particular, the investment of enterprise owners, property developers and hotel operators and the general conditions and prospects of local economy. Also, the demand for our services may fall if our customers terminate or reduce the size of projects or cut project budget when they downsize their business, suspend or cease marketing, development or expansion plans, or stop leasing or acquiring properties due to change in market conditions, business strategy or performance. If such events occur, our business, results of operations, financial condition and prospects may be materially and adversely affected.

#### **Pricing of our projects**

During the Track Record Period, we derived most of our revenue from contracts obtained through a competitive tender process. The tender price of our projects is determined based on our estimated project costs plus a mark-up margin. From time to time, we may adjust our mark-up margin to maintain competitive in the tender which in turn will affect our profitability.

#### **Changes in our subcontracting costs and material costs**

Our cost of sales mainly represents subcontracting costs and material costs. For the years ended 31 March 2014, 2015 and 2016, our subcontracting costs and material costs amounted to approximately HK\$388.6 million, HK\$451.9 million and HK\$567.4 million, respectively, which accounted for approximately 92.3%, 91.8% and 93.5%, respectively, of our total cost of sales. The tender price or contract price for our projects is determined based on our estimated project costs plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers. There is no assurance that the costs estimated at the beginning of a contract will not be adjusted or overrun during the contract period. If we are unable to control our costs within our estimates or recover the extra costs, our profit margins and results of operations may be adversely affected.

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## FINANCIAL INFORMATION

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### **Project mix and actual progress of projects on hand**

Our contracts are awarded on a project basis. Our revenue contributed by different types of projects and/or premises vary from time to time depending on the timing of commencement and actual progress of our projects. In general, contracts awarded and commenced at the beginning of a year or period would be able to contribute a higher amount of revenue and gross profit than contracts awarded by the end of a year or period if a substantial part of the works could be rendered during the year or period.

### **Market competition**

The renovation service industry in Hong Kong is fragmented and highly competitive. There were 696 registered general building contractors with the Buildings Department in Hong Kong as at the Latest Practicable Date. The renovation service industry in Macau is dominated by certain major contractors, most of which are based in Hong Kong. According to the Industry Report, industry players compete with each other on market position, industry reputation, track record relationship with project owners, main contractors and industry professionals, such as project managers, as well as financial standing. Some of our competitors may have more manpower and resources, more qualifications entitling them to provide a wider range of construction services, longer operating histories, stronger financial strength, stronger relationship with customers, more established brand names and market recognition. When we price our tenders or fix contract price with our customers, we may face keen competition and significant downward pricing pressure, thereby reducing our profit margins.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgment, and could yield materially different results under different conditions and/or assumptions. The preparation of our Combined Financial Information in conformity with the HKFRS requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our Combined Financial Information included elsewhere in this prospectus. Below is a summary of the significant accounting policies in accordance with HKFRS that we believe are important to the presentation of our Combined Financial Information and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies, judgments, estimates and assumptions that we consider as significant, which are set out in detail in notes 4 and 5 to the Accountant's Report.

### **Revenue recognition**

Fitting-out projects and alteration and addition projects are the two main types of projects of our Group. We generally recognise revenue from our projects with reference to the value of work performed based on the percentage of completion. For the years ended 31 March 2014, 2015 and 2016, we recognised revenue of approximately HK\$456.8 million, HK\$539.5 million and HK\$661.1 million, respectively, from our contracts of fitting-out and alteration and addition projects.

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## FINANCIAL INFORMATION

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For details regarding our accounting policies and estimates relating to revenue recognition, see note 4(j) “Revenue recognition”, note 4(k) “Construction contracts” and note 5(i) “Recognition of contract revenue” to the Accountant’s Report.

### **Construction contracts**

Our Group presents the amounts due from customers for contract work as an asset for projects with value of contract work performed for which exceeding progress billings. Progress billings not yet paid by customers are included in our trade receivables. Our Group presents the amounts due to customers for contract work as a liability for projects for which progress billings exceeding the value of contract work performed.

As at 31 March 2014, 31 March 2015 and 31 March 2016, we had (i) amounts due from customers for contract work of approximately HK\$86.7 million, HK\$50.0 million and HK\$153.9 million, respectively; and (ii) amounts due to customers for contract work of approximately HK\$0.4 million, HK\$0.6 million and HK\$0.9 million, respectively.

For the relevant accounting policy, see note 4(k) “Construction contracts” to the Accountant’s Report.

### **Financial assets**

During the Track Record Period, financial assets of our Group mainly represented trade receivables, retention receivables and deposits. Our Group did not recognise any impairment loss on financial assets during the Track Record Period.

Please see note 4(d) “Financial instruments” to the Accountant’s Report for our accounting policies relating to classification, recognition, measurement, derecognition and impairment of financial assets.

### **Financial liabilities**

Our Group’s financial liabilities during the Track Record Period mainly included trade and other payables, bank borrowings and amounts due to Shareholders.

Please see note 4(d) “Financial instruments” to the Accountant’s Report for our accounting policies relating to classification, recognition, measurement and derecognition of financial liabilities.

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## FINANCIAL INFORMATION

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### Income taxes

Income taxes comprise current tax and deferred tax. For the years ended 31 March 2014, 2015 and 2016, we recognised income tax expense of approximately HK\$2.6 million, HK\$4.1 million and HK\$5.5 million, respectively, which were current tax. Our Group had no material unrecognised deferred tax as at 31 March 2014, 31 March 2015 and 31 March 2016.

Please see note 4(g) “Income taxes” to the Accountant’s Report for our accounting policies relating to income taxes, including current tax and deferred tax.

### SUMMARY RESULTS OF OPERATION

The following table sets out the summary of our Group’s combined results for the Track Record Period, which are derived from, and should be read in conjunction with the combined financial information contained in the Accountant’s Report set out in Appendix I to this prospectus.

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	456,831	539,466	661,082
Cost of sales	<u>(421,232)</u>	<u>(492,268)</u>	<u>(607,107)</u>
<b>Gross profit</b>	35,599	47,198	53,975
Other income and gain	4	45	367
Administrative and other operating expenses	(17,284)	(20,251)	(20,419)
Finance costs	<u>(1,193)</u>	<u>(502)</u>	<u>(190)</u>
<b>Profit before income tax</b>	17,126	26,490	33,733
Income tax expense	<u>(2,552)</u>	<u>(4,107)</u>	<u>(5,464)</u>
<b>Profit for the year</b>	<u><u>14,574</u></u>	<u><u>22,383</u></u>	<u><u>28,269</u></u>

### DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

During the Track Record Period, we derived a majority of our revenue from our fitting-out projects, and to a lesser extent, from our alteration and addition projects. We generated revenue of approximately HK\$456.8 million, HK\$539.5 million and HK\$661.1 million for the years ended 31 March 2014, 2015 and 2016, respectively.



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### *Revenue by type of projects based on the use of premises*

The table below sets forth the breakdown of our revenue by type of projects based on the use of premises during the Track Record Period:

	Year ended 31 March					
	2014		2015		2016	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Fitting-out projects						
- Corporate	130,649	28.6%	130,485	24.2%	265,898	40.2%
- Leisure and hospitality	114,074	25.0%	125,625	23.3%	37,330	5.7%
- Food and beverage	99,541	21.8%	122,077	22.6%	143,391	21.7%
- Retail and others <sup>(Note)</sup>	<u>37,339</u>	<u>8.1%</u>	<u>3,557</u>	<u>0.7%</u>	<u>76,012</u>	<u>11.5%</u>
<b>Sub-total</b>	381,603	83.5%	381,744	70.8%	522,631	79.1%
Alteration and addition projects	<u>75,228</u>	<u>16.5%</u>	<u>157,722</u>	<u>29.2%</u>	<u>138,451</u>	<u>20.9%</u>
<b>Total</b>	<u>456,831</u>	<u>100.0%</u>	<u>539,466</u>	<u>100.0%</u>	<u>661,082</u>	<u>100.0%</u>

*Note:* Others mainly include fitting-out projects for medical centre and educational premise.

### *Fitting-out projects*

Our revenue for the Track Record Period was predominantly contributed by fitting-out projects. For the years ended 31 March 2014, 2015 and 2016, our revenue from fitting-out projects amounted to approximately HK\$381.6 million, HK\$381.7 million and HK\$522.6 million, respectively, representing approximately 83.5%, 70.8% and 79.1% of our total revenue for the corresponding years. During the Track Record Period, our fitting-out projects were mainly performed for corporate, leisure and hospitality, food and beverage, retail and other premises.

Our revenue from fitting-out projects remained stable for the years ended 31 March 2014 and 2015. The most remarkable fitting-out projects in terms of amount of revenue generated for the years ended 31 March 2014 and 2015 included the following:

- *Corporate premises* - the fitting-out projects for (i) the offices of Customer B (a Hong Kong subsidiary of a multi-national banking corporation headquartered in the U.S.), which contributed revenue of approximately HK\$72.2 million for the year ended 31 March 2014; and (ii) the offices of Customer H (a banking corporation and a Hong Kong subsidiary of a multi-national banking and financial services company dually and primarily listed in London and Hong Kong), which contributed revenue of approximately HK\$80.1 million for the year ended 31 March 2015;

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- *Leisure and hospitality premises* - the fitting-out projects (i) for the facilities of Customer A (a horse racing and betting operator in Hong Kong), which contributed revenue of approximately HK\$95.1 million and HK\$25.4 million for the years ended 31 March 2014 and 2015, respectively; and (ii) related to the facilities of a multi-national casino, hotel and resort operator located in Macau, which contributed revenue of approximately HK\$18.9 million and HK\$95.9 million for the years ended 31 March 2014 and 2015, respectively;
- *Food and beverage premises* - the fitting-out projects for (i) the dining facilities of Customer A, which contributed revenue of approximately HK\$65.2 million and HK\$75.2 million for the years ended 31 March 2014 and 2015, respectively; and (ii) a restaurant in the convention and exhibition centre in Hong Kong, which contributed revenue of approximately HK\$2.3 million and HK\$32.5 million for the years ended 31 March 2014 and 2015, respectively; and
- *Retail and other premises* - the fitting-out projects for (i) a luxury retail store located in a hotel in Macau, which contributed revenue of approximately HK\$20.5 million and HK\$1.7 million for the years ended 31 March 2014 and 2015, respectively; and (ii) an international school located in the New Territories, which contributed revenue of approximately HK\$15.7 million for the year ended 31 March 2014.

We recorded increase in revenue from fitting-out projects from approximately HK\$381.7 million for the year ended 31 March 2015 to approximately HK\$522.6 million for the year ended 31 March 2016, representing an increase of approximately HK\$140.9 million, or approximately 36.9%. Such increase was mainly driven by the revenue of approximately HK\$157.3 million contributed by a large fitting-out project for the phase one new offices of Customer J (a BVI subsidiary of a multi-national banking corporation headquartered in the U.S.) in Kowloon East during the year ended 31 March 2016. Apart from this project, the other remarkable fitting-out projects in terms of amount of revenue generated for the year ended 31 March 2016 included the following:

- *Corporate premises* - the fitting-out projects for (i) Customer A's communication and technology centre, which contributed revenue of approximately HK\$38.8 million for the year ended 31 March 2016; and (ii) Customer H's offices in Hong Kong and Macau, which contributed revenue of approximately HK\$33.4 million for the year ended 31 March 2016;
- *Leisure and hospitality premises* - the fitting-out projects (i) for a clubhouse project of a property developer listed in Hong Kong, which contributed revenue of approximately HK\$25.7 million for the year ended 31 March 2016; and (ii) related to the facilities of a multi-national casino, hotel and resort operator located in Macau, which contributed revenue of approximately HK\$11.3 million for the year ended 31 March 2016;
- *Food and beverage premises* - the fitting-out projects for (i) the dining facilities of Customer A, which contributed revenue of approximately HK\$127.4 million for the year ended 31 March 2016; and (ii) the dining facilities of a multi-national casino, hotel and resort operator, which contributed revenue of approximately HK\$14.0 million for the year ended 31 March 2016; and

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- *Retail and other premises* - the fitting-out projects for (i) the medical centre of Customer L (a healthcare service provider and a Hong Kong subsidiary of a medical foundation), which contributed revenue of approximately HK\$44.6 million for the year ended 31 March 2016; (ii) the off-course betting branches of Customer A, which contributed revenue of approximately HK\$19.1 million for the year ended 31 March 2016; and (iii) a showroom of a motor car manufacturer, which contributed revenue of approximately HK\$11.2 million for the year ended 31 March 2016.

### *Alteration and addition projects*

Our revenue from alteration and addition projects represented approximately 16.5%, 29.2% and 20.9% of our total revenue for the years ended 31 March 2014, 2015 and 2016, respectively.

We recorded growth in revenue from alteration and addition projects from approximately HK\$75.2 million for the year ended 31 March 2014 to HK\$157.7 million for the year ended 31 March 2015, representing an increase of approximately HK\$82.5 million, or approximately 109.7%. The growth was primarily attributable to the completion of a large alteration and addition project involving the wholesale conversion of an industrial building for office use in Kwun Tong, Kowloon, which contributed revenue of approximately HK\$154.0 million for the year ended 31 March 2015.

Our revenue from alteration and addition projects decreased marginally from approximately HK\$157.7 million for the year ended 31 March 2015 to approximately HK\$138.5 million for the year ended 31 March 2016. Our revenue from alteration and addition projects for the year ended 31 March 2016 was largely derived from a large alteration and addition project for a container and godown centre in the New Territories, which was awarded and commenced during the year ended 31 March 2016 with a notional contract sum of HK\$215.0 million. As the project duration spread across financial years, revenue of approximately HK\$126.2 million was recognised for the year ended 31 March 2016.

### *Revenue by geographical location of projects*

The following table sets out the breakdown of our revenue by geographical location of project during the Track Record Period:

	<b>Year ended 31 March</b>					
	<b>2014</b>		<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Hong Kong	410,287	89.8%	418,911	77.7%	609,751	92.2%
Macau	46,544	10.2%	120,555	22.3%	51,331	7.8%
<b>Total</b>	<b><u>456,831</u></b>	<b><u>100.0%</u></b>	<b><u>539,466</u></b>	<b><u>100.0%</u></b>	<b><u>661,082</u></b>	<b><u>100.0%</u></b>

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### *Hong Kong*

For the years ended 31 March 2014, 2015 and 2016, revenue derived from our projects in Hong Kong had been the key component to our total revenue, which amounted to approximately HK\$410.3 million, HK\$418.9 million and HK\$609.8 million, respectively, representing approximately 89.8%, 77.7% and 92.2% of our total revenue for the corresponding years.

Our revenue generated from projects in Hong Kong remained stable at approximately HK\$410.3 million and HK\$418.9 million for the years ended 31 March 2014 and 2015, respectively. For the year ended 31 March 2016, our revenue generated from projects in Hong Kong increased to approximately HK\$609.8 million mainly attributable to the revenue of approximately HK\$157.3 million generated from a large fitting-out project for the phase one new offices of Customer J in Kowloon East during the year ended 31 March 2016.

### *Macau*

For the years ended 31 March 2014, 2015 and 2016, revenue derived from our projects located in Macau was approximately HK\$46.5 million, HK\$120.6 million and HK\$51.3 million, respectively, representing approximately 10.2%, 22.3% and 7.8% of our total revenue for the corresponding years. The higher revenue generated from projects in Macau was primarily contributed by the fitting-out works related to the facilities of a multi-national casino, hotel and resort operator located in Macau, which contributed revenue of approximately HK\$96.9 million for the year ended 31 March 2015.

### **Cost of sales**

Our cost of sales for the Track Record Period primarily consisted of subcontracting costs, material costs, project staff costs and project insurance costs. The following table sets out the breakdown of our Group's costs of sale for the Track Record Period:

	<b>Year ended 31 March</b>					
	<b>2014</b>		<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	<i>% of total cost of sales</i>	<i>HK\$'000</i>	<i>% of total cost of sales</i>	<i>HK\$'000</i>	<i>% of total cost of sales</i>
Subcontracting costs	373,747	88.7%	420,308	85.4%	531,027	87.5%
Material costs	14,845	3.5%	31,551	6.4%	36,353	6.0%
Project staff costs	29,356	7.0%	33,837	6.9%	35,072	5.8%
Project insurance costs	3,284	0.8%	6,572	1.3%	4,655	0.7%
<b>Total</b>	<u>421,232</u>	<u>100.0%</u>	<u>492,268</u>	<u>100.0%</u>	<u>607,107</u>	<u>100.0%</u>

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For the years ended 31 March 2014, 2015 and 2016, our cost of sales was approximately HK\$421.2 million, HK\$492.3 million and HK\$607.1 million, respectively, representing approximately 92.2%, 91.3% and 91.8% of our revenue. The increase in our cost of sales were generally in line with the growth of our revenue during the Track Record Period.

### *Subcontracting costs*

Subcontracting costs were the key component of our direct cost, which represented the costs incurred by our Group for engaging subcontractors to carry out fitting-out works and alteration and addition construction works.

For the years ended 31 March 2014, 2015 and 2016, our subcontracting costs amounted to approximately HK\$373.7 million, HK\$420.3 million and HK\$531.0 million, respectively, and accounted for approximately 88.7%, 85.4% and 87.5%, respectively, of our total cost of sales for the corresponding years. The increase in our subcontracting costs was generally in line with the growth of our revenue during the Track Record Period.

### *Material costs*

Material costs mainly represented direct costs for the purchase of certain materials such as decorative materials, lighting or furniture required by our customers.

For the years ended 31 March 2014, 2015 and 2016, our material costs amounted to approximately HK\$14.8 million, HK\$31.6 million and HK\$36.4 million, respectively, and accounted for approximately 3.5%, 6.4% and 6.0%, of our total cost of sales for the corresponding years. The higher material costs for the years ended 31 March 2015 and 2016 as compared to those of the year ended 31 March 2014 was generally in line with the growth of our revenue during the Track Record Period. Since materials can either be procured by our Group or our subcontractors depending on our arrangement with subcontractors and/or customers' requirements, the procurement pattern of different projects may vary. Therefore, our Directors consider that it is normal that the proportion of our subcontracting costs and material costs to total cost of sales may vary from time to time.

### *Project staff costs*

Project staff costs represented the salaries, allowances and retirement contributions provided to our project staff, such as project managers, site managers, building services engineers and quantity surveyors. For the years ended 31 March 2014, 2015 and 2016, our project staff costs amounted to approximately HK\$29.4 million, HK\$33.8 million and HK\$35.1 million, respectively, and accounted for approximately 7.0%, 6.9% and 5.8%, of our total cost of sales for the corresponding years.

The increase in our project staff costs for the year ended 31 March 2015 as compared to the year ended 31 March 2014 was mainly due to salary increment and the increase in discretionary bonus for project staff. The increase in our project staff costs for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was primarily as a result of the increase in headcount of our project staff to cope with our business expansion, salary increment and slight increase in discretionary bonus for project staff.

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### *Project insurance costs*

Project insurance costs mainly represented insurance coverage we are normally required to take out and maintain as a main contractor, such as contractor's all risks, employee's compensation and third party liability insurance to comply with the applicable laws and regulations and the requirements under the contracts with our customers.

For the years ended 31 March 2014, 2015 and 2016, our project insurance costs amounted to approximately HK\$3.3 million, HK\$6.6 million and HK\$4.7 million, respectively, and accounted for approximately 0.8%, 1.3% and 0.7% of our total cost of sales for the corresponding years. The relatively higher project insurance costs for the year ended 31 March 2015 was generally in line with the higher revenue from alteration and addition projects for the same year, which usually require higher premiums for employee's compensation insurance.

### **Gross profit and gross profit margin**

The following table sets out the breakdown of our gross profit and gross profit margin by type of projects during the Track Record Period:

	Year ended 31 March					
	2014		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Fitting-out projects						
- Corporate	14,875	11.4	13,252	10.2	21,648	8.1
- Leisure and hospitality	9,670	8.5	14,290	11.4	7,630	20.4
- Food and beverage	5,112	5.1	11,599	9.5	11,432	8.0
- Retail and others <i>(Note)</i>	5,805	15.5	80	2.2	4,895	6.4
<b>Sub-total</b>	35,462	9.3	39,221	10.3	45,605	8.7
Alteration and addition projects	137	0.2	7,977	5.1	8,370	6.0
<b>Total/Overall</b>	35,599	7.8	47,198	8.7	53,975	8.2

*Note:* Others mainly include fitting-out projects for medical centre and educational premises.

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During the Track Record Period, we obtained most of our customers' contracts through tender process. We adopt a cost estimate plus mark-up pricing model for pricing our tenders. We have developed a systematic tender assessment process under which our tendering department would estimate profitability prospects of projects based on various factors including potential costs structure, human resources required, payment terms and completion schedule. Accordingly, our overall gross profit margin remained relatively stable at around 8% during the Track Record Period as we have been able to properly control our costs.

### *Fitting-out projects*

For the years ended 31 March 2014, 2015 and 2016, our gross profit from fitting-out projects was approximately HK\$35.5 million, HK\$39.2 million and HK\$45.6 million, respectively, representing gross profit margin of approximately 9.3%, 10.3% and 8.7% for the corresponding years. The increase in our gross profit from fitting-out projects was generally in line with the growth of our revenue during the Track Record Period.

Our gross profit margin of fitting-out projects slightly improved from approximately 9.3% for the year ended 31 March 2014 to approximately 10.3% for the year ended 31 March 2015 mainly due to the relatively higher gross profit margins of certain fitting-out projects undertaken by our Group during the year ended 31 March 2015, such as (i) the fitting-out project for the archive centre in an office building of Customer H which contributed revenue of approximately HK\$10.7 million for the financial year; (ii) the fitting-out project for chalets of a clubhouse of Customer A which contributed revenue of approximately HK\$21.4 million for the financial year; (iii) the fitting-out project for a member box of the racecourse of Customer A which contributed revenue of approximately HK\$9.6 million for the financial year; (iv) the fitting-out project for a bar and lounge of the racecourse of Customer A which contributed revenue of approximately HK\$5.0 million for the financial year; (v) the fitting-out works project for an administration building of Customer A which contributed revenue of approximately HK\$4.0 million for the financial year; and (vi) certain fitting-out projects for the casino facilities of Customer E which contributed revenue of approximately HK\$8.8 million, HK\$3.6 million and HK\$2.7 million for the financial year, respectively. These projects recorded individual project gross profit margin of over 10% for the year ended 31 March 2015.

Our gross profit margin of the fitting-out projects declined from approximately 10.3% for the year ended 31 March 2015 to approximately 8.7% for the year ended 31 March 2016. Such decrease was mainly attributable to the relatively lower gross profit margins for certain larger scale projects undertaken by our Group during the year ended 31 March 2016 for which our Group offered more competitive tender pricing after taking into consideration the scale of project, reputation of customer, strategic relationship building with customer and potential further engagement opportunities. Examples are the fitting-out projects for the phase one new offices of Customer J in Kowloon East, the medical centre of Customer L and certain dining facilities of Customer A. Our Directors believe that such tender strategy has enabled our Group to have subsequently secured the phases two and three new offices project of Customer J and the other projects with Customer A.

### *Alteration and addition projects*

For the years ended 31 March 2014, 2015 and 2016, our gross profit from alteration and addition projects was approximately HK\$0.1 million, HK\$8.0 million and HK\$8.4 million, respectively, representing gross profit margin of approximately 0.2%, 5.1% and 6.0% for the corresponding years.



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The gross profit margin of our alteration and addition projects was comparatively low at approximately 0.2% for the year ended 31 March 2014 as compared to those of approximately 5.1% and 6.0% for the years ended 31 March 2015 and 2016, respectively. It was mainly attributable to an alteration and addition project for a shopping mall managed by a real estate investment trust in Hong Kong. The practical completion of the project took place in late 2012. However, due to a prolonged negotiation between the parties on the value of contract work done, the final accounting of the project could only take place during the year ended 31 March 2015 with the final certified billing amount lower than the total value of contract work previously estimated and recognised by our Group in the years prior to the Track Record Period due to divergence of view on the value of contract work. As a result, our Group recognised losses of approximately HK\$2.6 million and HK\$1.9 million for the years ended 31 March 2014 and 2015, respectively, based on the progress of negotiation with the customer and the final certified billing amount. Our Directors confirm that there was no litigation or arbitration proceeding involved in this project. Excluding the effect of such project, our Group would have recorded gross profit margin of approximately 3.6% and 6.1% for the years ended 31 March 2014 and 2015, respectively.

Our gross profit margin for the year ended 31 March 2014 was also affected by another alteration and addition project with higher than expected overtime costs incurred during the year ended 31 March 2014 mainly due to proximity to an academic institute, such that certain works could only be performed after school hours.

The following table sets out the breakdown of our gross profit and gross profit margin by geographical location of project during the Track Record Period:

	Year ended 31 March					
	2014		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	25,839	6.3	35,442	8.5	47,564	7.8
Macau	9,760	21.0	11,756	9.8	6,411	12.5
<b>Total/Overall</b>	35,599	7.8	47,198	8.7	53,975	8.2

### *Hong Kong*

For the years ended 31 March 2014, 2015 and 2016, our gross profit from projects in Hong Kong was approximately HK\$25.8 million, HK\$35.4 million and HK\$47.6 million, respectively, representing gross profit margin of approximately 6.3%, 8.5% and 7.8% for the corresponding years.



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The trend of our gross profit margin for projects in Hong Kong during the Track Record Period was generally in line with that of our gross profit margin for fitting-out projects as discussed above, as a significant proportion of our gross profit from projects in Hong Kong during the Track Record Period was generated from fitting-out projects. We recorded a relatively lower gross profit margin for projects in Hong Kong of approximately 6.3% for the year ended 31 March 2014 mainly due to (i) the alteration and addition project for a shopping mall managed by a real estate investment trust in Hong Kong in which we recognised losses of approximately HK\$2.6 million for the year ended 31 March 2014 as disclosed in the analysis of our gross profit margin of alteration and addition projects above; and (ii) a fitting-out project for food and beverage premises in which we recognised losses of approximately HK\$1.0 million during the Track Record Period. Our Directors confirm that the losses of such fitting-out project were mainly attributable to cost overrun resulted from unexpected difficult site conditions and complexity of such project. For a summary of our projects that recorded losses during the Track Record Period and up to the Latest Practicable Date, see “Business — Cost controls and credit management — Subcontracting”.

### *Macau*

Our gross profit from projects in Macau was approximately HK\$9.8 million, HK\$11.8 million and HK\$6.4 million for the years ended 31 March 2014, 2015 and 2016, respectively, representing gross profit margin of approximately 21.0%, 9.8% and 12.5% for the corresponding years.

For the year ended 31 March 2014, we recorded a remarkably higher gross profit margin for projects in Macau of approximately 21.0%, which was mainly driven by (i) a fitting-out project for a retail store in a casino resort in Macau, which brought us revenue of approximately HK\$20.5 million with gross profit margin of approximately 19.9% for the year. Our Directors confirm that the higher gross profit margin for such project was mainly due to the requirement of night shift for which our Group was able to negotiate for a higher margin; (ii) a fitting-out project for the clubhouse of Customer E’s casino in Macau, which contributed revenue of approximately HK\$14.0 million with gross profit margin of approximately 20.8% for the year; and (iii) four smaller sized fitting-out projects for the facilities of Customer E’s casino in Macau, which contributed total revenue of approximately HK\$2.0 million with an overall gross profit margin of approximately 27.6% for the year. Our Directors believe that the favourable market condition in the Macau gaming and tourism industries during 2013 and 2014 enabled our Group to undertake more projects with higher gross profit margin during the year.

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### Other income and gain

For the years ended 31 March 2014, 2015 and 2016, other income and gain of our Group was approximately HK\$4,000, HK\$45,000 and HK\$367,000, respectively, which consisted of interest income on bank deposits, gain on deregistration of a subsidiary and recovery of impairment loss on trade receivables previously recognised. The following table sets out the breakdown of our Group's other income and gain for the Track Record Period:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	4	5	5
Gain on deregistration of a subsidiary	—	40	—
Recovery of impairment loss on trade receivables previously recognised	—	—	362
<b>Total</b>	4	45	367

The gain on deregistration of a subsidiary of approximately HK\$40,000 recognised for the year ended 31 March 2015 was related to the deregistration of IBI Singapore. IBI Singapore ceased operation in April 2011 and subsequently completed deregistration in February 2015.

Recovery of impairment loss on trade receivables of approximately HK\$362,000 for the year ended 31 March 2016 was related to the bad debts recognised prior to the Track Record Period for a customer, which were subsequently recovered by our Group during the year ended 31 March 2016 through the liquidation process of such customer.

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### Administrative and other operating expenses

For the years ended 31 March 2014, 2015 and 2016, our Group recorded administrative and other operating expenses of approximately HK\$17.3 million, HK\$20.3 million and HK\$20.4 million, respectively.

The following table sets out the breakdown of our Group's administrative and other operating expenses during the Track Record Period:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs	13,386	15,296	14,185
Rental and related expenses	1,385	1,585	1,703
Office expenses	835	985	1,048
Legal and professional fees	476	1,109	1,494
Auditors' remuneration	281	425	367
Depreciation	336	199	252
Entertainment	113	131	198
Marketing expenses	210	203	150
Travelling and transportation	89	81	63
Insurance	36	59	80
Listing expenses	—	—	573
Others	137	178	306
<b>Total</b>	<b>17,284</b>	<b>20,251</b>	<b>20,419</b>

### *Staff costs*

Our staff costs mainly represent Directors' emoluments and salaries, allowances and retirement contributions to our administrative and other staff.

Our staff costs increased from approximately HK\$13.4 million for the year ended 31 March 2014 to approximately HK\$15.3 million for the year ended 31 March 2015. The increase was mainly due to the salary increment and the increase in discretionary bonus for our Directors and administrative and other staffs for the year ended 31 March 2015.

Despite the increase in number of our staff, our staff costs decreased from approximately HK\$15.3 million for the year ended 31 March 2015 to approximately HK\$14.2 million for the year ended 31 March 2016 mainly due to the decrease in discretionary bonus for our Directors and administrative and other staffs for the year ended 31 March 2016.

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### *Rental and related expenses*

For the years ended 31 March 2014, 2015 and 2016, our Group incurred rental and related expenses of approximately HK\$1.4 million, HK\$1.6 million and HK\$1.7 million, respectively, mainly for our Group's offices in Hong Kong and Macau. The increasing trend of our rental and related expenses was mainly due to the upward adjustment of monthly rental of our Group's offices in Hong Kong and Macau in late 2013 and 2015, respectively, as a result of the renewal of tenancy agreements.

For details of our leased properties, see "Business — Properties".

### *Office expenses*

Our office expenses amounted to approximately HK\$0.8 million, HK\$1.0 million and HK\$1.0 million for the years ended 31 March 2014, 2015 and 2016, respectively, which mainly represented computer expenses, printing and stationery expenses, telephone and fax expenses, utilities and repairs and maintenance expenses. The increasing trend of our office expenses during the Track Record Period was primarily attributable to the increase in number of staff to cope with our business growth.

### *Legal and professional fees*

Our Group incurred legal and professional fees of approximately HK\$0.5 million, HK\$1.1 million and HK\$1.5 million for the years ended 31 March 2014, 2015 and 2016, respectively, which mainly represented fees for general legal services, staff recruitment services, company secretarial services, corporate tax services and safety audit. The increase in our legal and professional fees for the years ended 31 March 2015 and 2016 as compared to the year ended 31 March 2014 was mainly attributable to the increase in expenses incurred for recruitment of project staff through employment agents to cope with our business expansion, which amounted to approximately HK\$0.1 million, HK\$0.6 million and HK\$1.2 million for the years ended 31 March 2014, 2015 and 2016, respectively.

### **Finance costs**

For the years ended 31 March 2014, 2015 and 2016, our Group incurred finance costs of approximately HK\$1.2 million, HK\$0.5 million and HK\$0.2 million, respectively, in respect of the interest expenses on bank borrowings and short-term borrowings from Shareholders. The relatively higher finance costs for the years ended 31 March 2014 and 2015 were mainly attributable to the interest expenses incurred on the short-term borrowings from Shareholders for meeting our then working capital requirements for projects during the years ended 31 March 2014 and 2015. For details of the short-term borrowings from Shareholders, see note 25 to the Accountant's Report.

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### Income tax expense

The following table sets out the breakdown of our Group's income tax expenses for the Track Record Period:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	2,003	2,975	5,175
Macau complementary tax	<u>549</u>	<u>1,132</u>	<u>289</u>
<b>Total</b>	<u>2,552</u>	<u>4,107</u>	<u>5,464</u>

Our Group's operations are based in Hong Kong and Macau, and we are subject to (i) Hong Kong profits tax calculated at 16.5% of the estimated assessable profits during the Track Record Period; and (ii) Macau complementary tax calculated at 12.0% on the taxable profits over the relevant tax threshold during the Track Record Period.

For the years ended 31 March 2014, 2015 and 2016, our Group recorded income tax expenses of approximately HK\$2.6 million, HK\$4.1 million and HK\$5.5 million, respectively, representing an effective tax rate of approximately 14.9%, 15.5% and 16.2% for the corresponding years. The increasing trend of our Group's effective tax rate during the Track Record Period was mainly due to the increase in assessable profits subject to Hong Kong profit tax at a higher tax rate of 16.5% than Macau complementary tax, which was generally in line with the increase in our Group's revenue derived from projects in Hong Kong during the Track Record Period.

Our Group had no tax obligation arising from other jurisdictions during the Track Record Period. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant tax authorities.

### LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2017 are expected to be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing fees in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$23.8 million (based on the mid-point of the indicative Offer Price range of HK\$0.4 per Offer Share and 200,000,000 Offer Shares). Among the estimated total Listing fees, (i) approximately HK\$7.5 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$16.3 million is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately HK\$0.6 million had been recognised for the year ended 31 March 2016 and the remaining of approximately HK\$15.7 million is expected to be recognised for the year ending 31 March 2017.

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Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the combined financial statements of our Group for the year ending 31 March 2017 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending 31 March 2017 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

### LIQUIDITY AND CAPITAL RESOURCES

Our Group's principal liquidity and capital requirements primarily relate to our operating expenses. Historically, we have met our working capital and other liquidity requirements principally from cash generated from our operations, advances and borrowings from Shareholders and banking facilities. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, banking facilities, the net proceeds from the Share Offer as well as other external equity and debt financing.

#### Cash flows

The following table summarises our Group's cash flows for the Track Record Period:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	40,857	46,040	(171)
Net cash used in investing activities	(97)	(4,986)	(14,470)
Net cash used in financing activities	<u>(5,471)</u>	<u>(7,143)</u>	<u>(15,986)</u>
Net increase/(decrease) in cash and cash equivalents	35,289	33,911	(30,627)
Cash and cash equivalents at beginning of the year	13,038	48,313	82,221
Effect of foreign exchange	<u>(14)</u>	<u>(3)</u>	<u>—</u>
Cash and cash equivalents at end of the year	<u>48,313</u>	<u>82,221</u>	<u>51,594</u>

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### *Cash flows in operating activities*

For the years ended 31 March 2014, 2015 and 2016, our Group had net cash generated from/(used in) operating activities of approximately HK\$40.9 million, HK\$46.0 million and HK\$(0.2) million, respectively. During the Track Record Period, our Group derived its cash inflows from operating activities primarily from the receipt of payments from contract work and our cash used in operating activities mainly included payments of subcontracting fees, purchase of materials, payments of staff costs and other operating expenses and income tax payments.

Our net cash generated from operating activities increased from approximately HK\$40.9 million for the year ended 31 March 2014 to approximately HK\$46.0 million for the year ended 31 March 2015. The increase was generally in line with the increase in our operating profits for the year ended 31 March 2015 as compared to the year ended 31 March 2014, which was in turn contributed by the increase in our revenue and relatively stable operating costs.

For the year ended 31 March 2016, we recorded net cash used in operating activities of approximately HK\$0.2 million as compared to net cash generated from operating activities of approximately HK\$46.0 million for the year ended 31 March 2015, primarily due to (i) the payment of start-up costs, such as costs of materials, subcontracting fees for certain start-up works and project insurance fees, for certain larger sized fitting-out projects and a large alteration and addition project commenced during the year ended 31 March 2016 while there was a substantial amount of contract work performed on these projects by the financial year end still pending for certification for progress payments as at 31 March 2016, as evidenced by the significant balance of our amounts due from customers for contract work on the same day; and (ii) the payment of Listing fees of approximately HK\$3.5 million during the year ended 31 March 2016.

The start-up costs of our Group's projects typically include project insurance fees, costs of materials and subcontracting fees for certain start-up works such as site establishment, hoarding, scaffolding and demolition. Our Group typically pays the start-up costs in advance of payment from our customers, while our customers normally make progress payments after our works commence with limited or no advance payment. We typically submit a payment application to our customer's consultant team on a monthly basis or after the specified milestone is reached. Based on the payment application, our customer's consultant team will issue an interim payment certificate to our Group certifying the percentage of completion of works done or the reaching of the specified milestone. We will then present the interim payment certificate to our customer. In general, our customers will make payments to our Group within 14 to 60 days from the date of the presentation of the interim payment certificate to our customers. As such, our customer generally makes the first interim payment towards the third month following the commencement of the project and we would incur net cash outflows at an early stage of carrying out our works (generally for the first three months). In addition, for some projects, our Group is required to provide performance bonds for an amount of typically 5.0% or 10.0% of the total contract sum backed by cash collateral and/or guarantees in favour of our customers.

The amount of the start-up costs (including the requirement for performance bonds) varies among projects depending on the requirements of the customers and the specifications of the projects. The amount of cash collateral for the performance bonds are subject to the requirements of the issuing

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banks or insurance companies. For reference, the four largest projects with an individual notional contract sum of over HK\$100 million that our Group completed during the Track Record Period or currently has on hand required start-up costs (including cash collateral for performance bonds) ranging from approximately HK\$11.3 million to HK\$23.2 million for the first three months of implementation of each of these projects, representing approximately 6.5% to 18.2% of the respective notional contract sum.

Our Group generally manages the cash flow mismatch resulted from the payment of project start-up costs by closely monitoring our capital and cash positions, closely managing our progress billings and the use of available banking facilities, such as the facility limit for revolving trade financing of HK\$12.0 million.

### *Cash flows in investing activities*

For the year ended 31 March 2014, net cash used in investing activities was approximately HK\$97,000, which mainly represented purchase of property, plant and equipment of approximately HK\$101,000.

For the year ended 31 March 2015, net cash used in investing activities was approximately HK\$5.0 million, which mainly represented a net placement of pledged deposits of approximately HK\$4.5 million for securing performance bonds and purchase of property, plant and equipment of approximately HK\$0.5 million.

For the year ended 31 March 2016, net cash used in investing activities was approximately HK\$14.5 million, which mainly represented a net placement of pledged deposits of approximately HK\$14.3 million for securing performance bonds and purchase of property, plant and equipment of approximately HK\$0.2 million.

### *Cash flows in financing activities*

For the year ended 31 March 2014, net cash used in financing activities was approximately HK\$5.5 million, which mainly represented (i) net proceeds from bank borrowings of approximately HK\$0.8 million; and (ii) payment of dividend by IBI Group to its then shareholders of approximately HK\$6.2 million. During the same year, short-term borrowings from Shareholders of HK\$8.0 million was drawn and repaid.

For the year ended 31 March 2015, net cash used in financing activities was approximately HK\$7.1 million, which mainly represented (i) net proceeds from bank borrowings of approximately HK\$2.9 million; and (ii) repayment of amounts due to Shareholders of approximately HK\$10.0 million. During the same year, short-term borrowings from Shareholders of HK\$10.0 million was drawn and repaid.

For the year ended 31 March 2016, net cash used in financing activities was approximately HK\$16.0 million, which mainly represented (i) net repayment of bank borrowings of approximately HK\$1.6 million; and (ii) full repayment of amounts due to Shareholders of approximately HK\$14.4 million.



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### Working capital

After taking into account the following financial resources available to our Group:

- the amounts of net cash generated from operating activities of our Group during the Track Record Period;
- our cash and cash equivalents on hand of approximately HK\$51.6 million as at 31 March 2016 and approximately HK\$28.9 million as at 31 July 2016 based on our Group's unaudited combined management accounts;
- the unutilised banking facility limit for revolving trade financing of HK\$12.0 million as at 31 July 2016, being the indebtedness date; and
- the estimated net proceeds from the Share Offer of approximately HK\$56.2 million (based on the mid-point of the indicative Offer Price range of HK\$0.4 per Offer Share and 200,000,000 Offer Shares) to be received by our Group,

our Directors are of the opinion, and the Sole Sponsor concurs, that our Group has sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

### NET CURRENT ASSETS

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 July 2016, our Group had net current assets of approximately HK\$15.2 million, HK\$37.3 million, HK\$65.7 million and HK\$66.7 million, respectively. Details of the components are set out as follows:

	As at 31 March			As at
	2014	2015	2016	31 July 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>
<b>Current assets</b>				
Amounts due from customers for contract work	86,716	50,015	153,852	169,117
Trade and other receivables	59,145	65,428	79,082	109,131
Pledged deposits	—	4,522	18,841	19,882
Cash and cash equivalents	48,313	82,221	51,594	28,900
Total current assets	194,174	202,186	303,369	327,030

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	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>
<b>Current liabilities</b>				
Amounts due to customers for contract work	364	578	875	—
Trade and other payables	152,398	143,254	228,368	251,992
Amounts due to Shareholders	24,388	14,388	—	—
Bank borrowings	769	3,626	2,028	1,028
Tax payables	<u>1,034</u>	<u>3,009</u>	<u>6,402</u>	<u>7,320</u>
Total current liabilities	<u>178,953</u>	<u>164,855</u>	<u>237,673</u>	<u>260,340</u>
<b>Net current assets</b>	<u>15,221</u>	<u>37,331</u>	<u>65,696</u>	<u>66,690</u>

Our current assets as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 July 2016 amounted to approximately HK\$194.2 million, HK\$202.2 million, HK\$303.4 million and HK\$327.0 million, respectively, with amounts due from customers for contract work, trade and other receivables, pledged deposits and cash and cash equivalents being the major components. Our current liabilities as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 July 2016 amounted to approximately HK\$179.0 million, HK\$164.9 million, HK\$237.7 million and HK\$260.3 million, respectively, with trade and other payables, amounts due to Shareholders, bank borrowings and tax payables being the major components.

Our net current assets increased from approximately HK\$15.2 million as at 31 March 2014 to approximately HK\$37.3 million as at 31 March 2015. The increase was mainly due to (i) increase in cash and cash equivalents by approximately HK\$33.9 million, increase in trade and other receivables by approximately HK\$6.3 million, increase in pledged deposits by approximately HK\$4.5 million and decrease in trade and other payables by approximately HK\$9.1 million; and partially offset by (ii) decrease in amounts due from customers for contract work by approximately HK\$36.7 million and decrease in amounts due to Shareholders by approximately HK\$10.0 million.

Our net current assets further increased from approximately HK\$37.3 million as at 31 March 2015 to approximately HK\$65.7 million as at 31 March 2016. The increase was mainly due to (i) increase in amounts due from customers for contract work by approximately HK\$103.8 million, increase in trade and other receivables by approximately HK\$13.7 million, increase in pledged deposits by approximately HK\$14.3 million; and partially offset by (ii) decrease of cash and cash equivalents by approximately HK\$30.6 million and increase in trade and other payables by approximately HK\$85.1 million.

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Based on our unaudited combined management accounts, our net current assets slightly increased from approximately HK\$65.7 million as at 31 March 2016 to approximately HK\$66.7 million as at 31 July 2016, which was a combined result of the increases in amounts due from customer for contract work and trade receivables and the corresponding increases in accruals for costs of contract work and trade payables. Our balances of amounts due from customer for contract work and trade receivables as at 31 July 2016 were mainly related to the additional contract work performed and/or billings during the four months ended 31 July 2016 for certain larger sized projects in progress at the end of the Track Record Period, such as (i) the fitting-out projects for Customer J's new offices in Kwun Tong, Kowloon; (ii) the fitting-out project for Customer A's communication and technology centre; (iii) the fitting-out project for the offices of an Asia-based financial services group; (iv) the alteration and addition project for Customer K's container and godown centre in the New Territories; (v) the fitting-out project for the Macau offices of Customer H; (vi) the fitting-out project for the clubhouse of residential premises in Hong Kong for a property developer; and (vii) the fitting-out project for the public toilet of Customer E's casino in Macau; as well as the contract work performed and/or billings for our new projects awarded after the Track Record Period.

For details regarding the major items affecting our net current assets during the Track Record Period, see “— Description and analysis of principal items in the combined statements of financial position” below.

### DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

#### Amounts due from/to customers for contract work

Our Group generally recognises the value of work performed as revenue based on the percentage of completion. The percentage of completion is determined using methods that measure reliably the work performed by reference to the costs incurred up to the end of reporting period a percentage of total estimated costs. There is normally a timing difference between the completion of contract work and payment by our customers after the issue of progress certificates.

Our balance of amounts due from customers for contract work represents the value of contract work performed by us less progress billings, and our balance of amounts due to customers for contract work represents progress billings exceeding the value of contract work performed by us. As such, the amounts due from/to customers for contract work are generally affected by the value of contract work performed and the timing of progress billings. Therefore, our Directors consider that it is normal that these balances vary from time to time.

As at 31 March 2014, 31 March 2015 and 31 March 2016, we had (i) amounts due from customers for contract work of approximately HK\$86.7 million, HK\$50.0 million and HK\$153.9 million, respectively; and (ii) amounts due to customers for contract work of approximately HK\$0.4 million, HK\$0.6 million and HK\$0.9 million, respectively.

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The higher balances of amounts due from customers for contract work in the amount of approximately HK\$86.7 million and HK\$153.9 million as at 31 March 2014 and 31 March 2016 were mainly attributable to certain larger sized projects with contract work performed for which yet to be certified, such as (i) a large alteration and addition project involving the wholesale conversion of an industrial building for office use in Kwun Tong, Kowloon and a fitting-out project for an administration building of Customer A as at 31 March 2014; and (ii) a large fitting-out project for the phase one new offices of Customer J in Kowloon East, a fitting-out project for Customer A's communication and technology centre and a large alteration and addition project for a container and godown centre in the New Territories as at 31 March 2016. The significant increase in the balance as at 31 March 2016 as compared to previous years was mainly attributable to the value of contract work performed on these three projects which contributed approximately HK\$35.6 million, HK\$23.3 million and HK\$34.0 million to the balance as at 31 March 2016, respectively.

The following table sets forth a breakdown of the balance and subsequent billing of our amounts due from customers for contract work as at 31 March 2016 by major project:

	<b>As at 31 March 2016</b>	<b>Subsequent billing up to the Latest Practicable Date</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fitting-out project for Customer J's phase one new offices in Kwun Tong, Kowloon	35,597	25,378
Alteration and addition project for Customer K's container and godown centre in Tsing Yi, the New Territories	34,002	34,002
Fitting-out project for Customer A's communication and technology centre in Sha Tin, the New Territories	23,290	23,290
Fitting-out project for the clubhouse of residential premises in Hong Kong for a property developer	17,676	16,876
Fitting-out project for the office in Central, Hong Kong of an Asia-based financial services group	8,225	8,225
Fitting-out project for Customer E's casino public toilet in Macau	5,537	5,537
Fitting-out project for Customer J's phases two and three new offices in Kwun Tong, Kowloon	5,150	5,150
Fitting-out project for Customer L's medical centre in Hong Kong	4,486	2,007
Other projects	<u>19,889</u>	<u>14,354</u>
<b>Total</b>	<u><u>153,852</u></u>	<u><u>134,819</u></u>

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The following table sets forth an ageing (based on date of recognition) and subsequent billing analysis of our amounts due from customers for contract work as at 31 March 2016:

	<b>As at 31 March 2016</b>	<b>Subsequent billing up to the Latest Practicable Date</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	50,967	48,107
31 to 60 days	65,385	54,200
61 to 90 days	20,710	19,866
Over 90 days	16,790	12,646
<b>Total</b>	<b>153,852</b>	<b>134,819</b>

The fitting-out project for the phase one new offices of Customer J had a notional contract sum of approximately HK\$127.4 million. It involved the fitting-out works for 12 floors of the customer's office tower located in Kowloon East. The project commenced in October 2015 and was substantially completed in late February 2016 with certain variation orders in progress as at 31 March 2016. Mainly due to the relatively short duration of the project comparative to its scale, substantial percentage of contract work was performed within a few months, resulting in significant value of contract work pending for certification as at 31 March 2016.

The fitting-out project for Customer A's communication and technology centre had a notional contract sum of approximately HK\$63.8 million. The project commenced in November 2015 and was in progress as at 31 March 2016. Given that the contract sum of the project was relatively large and the project only commenced in November 2015, significant value of contract work was still pending for certification as at 31 March 2016.

The alteration and addition project for Customer K's container and godown centre in the New Territories had a notional contract value of HK\$215.0 million. It involved the structural enhancement of the premise. The project commenced in July 2015 and is expected to be completed in February 2017. Given that the contract sum of the project was large, significant value of contract work was still pending for certification as at 31 March 2016.

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### Trade and other receivables

As at 31 March 2014, 31 March 2015 and 31 March 2016, trade and other receivables of our Group amounted to approximately HK\$59.1 million, HK\$65.4 million and HK\$79.1 million, respectively. The following table sets out the breakdown of our trade and other receivables as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	20,406	25,375	40,064
Retention receivables	37,972	39,558	35,304
Deposits and prepayments	767	495	3,714
<b>Total</b>	<b>59,145</b>	<b>65,428</b>	<b>79,082</b>

### Trade receivables

As at 31 March 2014, 31 March 2015 and 31 March 2016, our trade receivables amounted to approximately HK\$20.4 million, HK\$25.4 million and HK\$40.1 million, respectively. The following table sets out the details of our trade receivables as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Billings receivable	20,768	25,737	40,064
Less: Allowances for doubtful debts	(362)	(362)	—
	<b>20,406</b>	<b>25,375</b>	<b>40,064</b>

Our Group's trade receivables represent the billed amount of progress payments receivable from our customers. The increasing trend of our trade receivables was generally in line with our business expansion during the Track Record Period as evidenced by our revenue growth. Our outstanding trade receivables balance as at 31 March 2016 mainly represented progress billings receivable from Customer A for its communication and technology centre fitting-out project, Customer H for its Macau offices fitting-out project and Customer J for its new offices fitting-out project.

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The amount of allowances for doubtful debts of approximately HK\$362,000 as at 31 March 2014 and 31 March 2015 was related to the bad debts recognised prior to the Track Record Period for a customer, which were subsequently recovered by our Group during the year ended 31 March 2016. Our Group did not recognise any other bad debts during the Track Record Period.

During the Track Record Period, the credit period with our customers was generally 14 to 60 days from the date of the presentation of the interim payment certificate to the customers.

The following table sets out an ageing analysis of our Group's trade receivables based on invoice date as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	9,972	17,601	38,350
31 to 60 days	8,466	7,051	138
61 to 90 days	—	723	1,318
Over 90 days	<u>1,968</u>	<u>—</u>	<u>258</u>
<b>Total</b>	<u>20,406</u>	<u>25,375</u>	<u>40,064</u>

As at 31 March 2014, 31 March 2015 and 31 March 2016, trade receivables of approximately HK\$10.4 million, HK\$4.2 million and HK\$1.7 million were past due but not impaired, respectively. These balances related to customers we considered to have no significant financial difficulty and the outstanding amounts from which were considered subsequently recoverable. The ageing analysis of these past due trade receivables is set out as follow:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	9,977	21,179	38,350
Less than 1 month past due	8,461	3,473	—
1 to 3 months past due	1,968	723	1,456
Over 3 months past due	<u>—</u>	<u>—</u>	<u>258</u>
	<u>10,429</u>	<u>4,196</u>	<u>1,714</u>
<b>Total</b>	<u>20,406</u>	<u>25,375</u>	<u>40,064</u>

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As at 31 August 2016, approximately 99.7% of our Group's trade receivables as at 31 March 2016 were subsequently settled.

The following table sets out the trade receivable turnover days of our Group for the Track Record Period:

	Year ended 31 March		
	2014	2015	2016
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivable turnover days <sup>(Note)</sup>	<u>14.2</u>	<u>15.5</u>	<u>18.1</u>

*Note:* Trade receivable turnover days are calculated by dividing the average trade receivable balance by revenue for the relevant financial year multiplied by the number of days during the financial year (i.e. 365 days for the years ended 31 March 2014, 2015 and 2016). Average trade receivable balance is the average of the beginning and ending trade receivable balances for the relevant financial year.

Our trade receivable turnover days were approximately 14.2 days, 15.5 days and 18.1 days for the years ended 31 March 2014, 2015 and 2016, respectively. The relatively shorter trade receivable turnover days for the year ended 31 March 2014 as compared to those for the years ended 31 March 2015 and 2016 was mainly because certain customers were given shorter credit terms of 14 days after presentation of interim payment certificate during the year ended 31 March 2014, whereas certain customers were given longer credit terms of 45 to 60 days after presentation of interim payment certificate during the years ended 31 March 2015 and 2016.

We typically submit a payment application to our customer's consultant team summarising the works done on a monthly basis or after the specified milestone is reached. Our customer's consultant team then assesses our payment application and issues an interim payment certificate to us generally within 30 days from the date of our payment application. We then present the interim payment certificate to our customers. Our customers then make payment to us based on the certified amount less any retention money generally within 14 to 60 days from the date of the presentation of the interim payment certificate to our customers. Our trade receivable turnover days as disclosed above do not take into account the payments to be received from customers for the value of our contract works performed but yet to be certified.

### ***Retention receivables***

As at 31 March 2014, 31 March 2015 and 31 March 2016, our retention receivables amounted to approximately HK\$38.0 million, HK\$39.6 million and HK\$35.3 million, respectively.



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Retention receivables are recognised in respect of the retention money held up by our customers from each progress payment (typically 10.0% of each progress payment) until a specified percentage of the total contract sum (typically 5.0% of the total contract sum) is reached. The first half of the retention money is usually released upon the issue of the certificate of practical completion and the remaining portion is usually released upon the issue of certificate of making good defects after the expiry of the defect liability period, typically a period of 12 months after the issue of practical completion certificate. Therefore, a certain portion of our retention receivables would normally remain outstanding as at the end of the reporting period.

Our Directors confirm that the outstanding balance is related to projects which are currently either still in progress or under the defect liability period and hence is not overdue.

### *Deposits and prepayments*

As at 31 March 2014, 31 March 2015 and 31 March 2016, our Group had deposits and prepayments of approximately HK\$0.8 million, HK\$0.5 million and HK\$3.7 million, respectively.

The following table sets out a breakdown of deposits and prepayments of our Group as at the dates indicated:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Deposits	408	425	468
Prepayment for Listing expenses	—	—	3,029
Other prepayments	<u>359</u>	<u>70</u>	<u>217</u>
<b>Total</b>	<u><u>767</u></u>	<u><u>495</u></u>	<u><u>3,714</u></u>

As at 31 March 2014, 31 March 2015 and 31 March 2016, our Group's deposits mainly represented rental deposits for our offices, deposits for staff accommodation and utilities deposits. The increase in the balance was mainly due to the increase in rental deposits as a result of the renewal of tenancy agreements during the Track Record Period.

As at 31 March 2016, we had prepayments for Listing expenses of approximately HK\$3.0 million for deduction from equity upon Listing.

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As at 31 March 2014, 31 March 2015 and 31 March 2016, our Group had other prepayments of approximately HK\$359,000, HK\$70,000 and HK\$217,000, respectively, which mainly represented prepayments for certain corporate expenditures, such as computer maintenance, software, licence fee and business registration fee. The relatively higher balance as at 31 March 2014 was mainly attributable to the prepayment for a new server of approximately HK\$158,000 which was subsequently utilised.

### Pledged deposits

As at 31 March 2014, 31 March 2015 and 31 March 2016, our bank deposits of nil, approximately HK\$4.5 million and HK\$18.8 million, respectively, were pledged to bank or insurance company to secure the performance bonds issued in favour of our customers. The significant increase in pledged deposits as at 31 March 2016 was in line with the aggregate value of the performance bonds issued in favour of customers amounted to approximately HK\$44.1 million as at 31 March 2016 as disclosed in “— Indebtedness — Guarantees”. The increases in aggregate value of the performance bonds and pledged deposits as at 31 March 2016 were mainly attributable to a major fitting-out project, a large alteration and addition project and certain fitting-out projects in progress as at 31 March 2016.

### Trade and other payables

As at 31 March 2014, 31 March 2015 and 31 March 2016, trade and other payables of our Group amounted to approximately HK\$152.4 million, HK\$143.3 million and HK\$228.4 million, respectively.

The following table sets out the breakdown of our trade and other payables as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	22,795	24,614	26,612
Accruals for costs of contract work	90,979	78,131	163,328
Retention payables	32,632	32,642	32,195
Other payables and accruals	<u>5,992</u>	<u>7,867</u>	<u>6,233</u>
<b>Total</b>	<u><u>152,398</u></u>	<u><u>143,254</u></u>	<u><u>228,368</u></u>

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### *Trade payables*

Our Group's trade and other payables are mainly related to payables for subcontracting fees and purchase of materials. As at 31 March 2014, 31 March 2015 and 31 March 2016, our trade payables amounted to approximately HK\$22.8 million, HK\$24.6 million and HK\$26.6 million, respectively. The increasing trend of our trade payables was generally in line with our business expansion during the Track Record Period.

The payment terms with our major subcontractors during the Track Record Period were normally within 14 days after we receive payment from our customers.

The following table sets out an ageing analysis of our Group's trade payables as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	17,642	16,652	21,044
31-60 days	1,571	3,536	4,025
61-90 days	1,919	1,235	1,147
Over 90 days	1,663	3,191	396
<b>Total</b>	<b>22,795</b>	<b>24,614</b>	<b>26,612</b>

The following table sets out the trade payable turnover days of our Group for the Track Record Period:

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade payable turnover days <sup>(Note)</sup>	16.9	17.6	15.4

*Note:* Trade payable turnover days are calculated by dividing the average trade payable balance by cost of sales for the relevant financial year multiplied by the number of days during the financial year (i.e. 365 days for each of the financial years ended 31 March 2014, 31 March 2015 and 31 March 2016). Average trade payable balance is the average of the beginning and ending trade payable balances for the relevant financial year.

Our trade payable turnover days remained relatively stable at approximately 16.9 days, 17.6 days and 15.4 days for the years ended 31 March 2014, 2015 and 2016, respectively. Our Directors believe that the slightly shorter trade payable turnover days for the year ended 31 March 2016 was mainly due to relatively more purchases of materials made during the year in accordance with the specific requirements of customers, for which we were not given credit term by the suppliers.

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## FINANCIAL INFORMATION

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As at 31 August 2016, approximately 99.0% of our Group's trade payables as at 31 March 2016 were subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

### *Accruals for costs of contract work*

As at 31 March 2014, 31 March 2015 and 31 March 2016, our Group had accruals for costs of contract work of approximately HK\$91.0 million, HK\$78.1 million and HK\$163.3 million, respectively, which mainly represented accruals for the contract work performed by our subcontractors but yet to be certified by our customers' consultant teams and billed by our subcontractors as at the end of reporting period.

The fluctuations of the balance as at 31 March 2014, 31 March 2015 and 31 March 2016 was generally in line with the trend of our balance of amounts due from customers for contract work on the respective reporting dates. The significant increase in the balance as at 31 March 2016 as compared to previous years was mainly attributable to the contract work performed by our subcontractors on (i) the fitting-out project for the phase one new offices of Customer J; (ii) the fitting-out project for Customer A's communication and technology centre; and (iii) an alteration and addition project for a container and godown centre in the New Territories, which were yet to be certified by our customers' consultant teams as at 31 March 2016 due to the reasons discussed in "— Description and analysis of principal items in the combined statements of financial position — Amounts due from/to customers for contract work".

### *Retention payables*

As at 31 March 2014, 31 March 2015 and 31 March 2016, our Group had retention payables of approximately HK\$32.6 million, HK\$32.6 million and HK\$32.2 million, respectively.

Retention payables are recognised in respect of the retention money we hold up from the payments to our subcontractors. The retention money is usually specified to be released in the following manner: the first half upon the issue of the certificate of practical completion and the remaining portion upon the issue of the certificate of making good defects after the expiry of the defect liability period. Therefore, a certain portion of retention payables would normally remain outstanding as at the end of reporting period.

### *Other payables and accruals*

As at 31 March 2014, 31 March 2015 and 31 March 2016, our Group had other payables and accruals of approximately HK\$6.0 million, HK\$7.9 million and HK\$6.2 million, respectively, which mainly comprised (i) provisions for staff costs, including salaries, retirement contributions, staff bonus, long service payment and annual leave; and (ii) accruals for audit fees and other professional fees.

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## FINANCIAL INFORMATION

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The balance increased from approximately HK\$6.0 million as at 31 March 2014 to approximately HK\$7.9 million as at 31 March 2015, mainly due to increase in provision for staff bonus and annual leave by approximately HK\$1.6 million. The balance then decreased from approximately HK\$7.9 million as at 31 March 2015 to approximately HK\$6.2 million as at 31 March 2016, mainly due to decrease in provision for staff bonus by approximately HK\$2.1 million.

Our Directors have confirmed that our Group did not have any material default in payment of accruals and other payables during the Track Record Period.

### INDEBTEDNESS

#### Borrowings

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 July 2016, our Group had outstanding borrowings of approximately HK\$25.2 million, HK\$18.0 million, HK\$2.0 million and HK\$1.0 million, respectively, which mainly represented bank borrowings and amounts due to Shareholders.

The following table sets out a breakdown of our Group's borrowings as at the dates indicated:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured and interest-bearing bank borrowings	769	3,626	2,028	1,028
Amounts due to Shareholders	<u>24,388</u>	<u>14,388</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u>25,157</u>	<u>18,014</u>	<u>2,028</u>	<u>1,028</u>

#### *Bank borrowings*

As at 31 March 2014, 31 March 2015 and 31 March 2016, our bank borrowings were denominated in Hong Kong dollars and were repayable on demand or within one year. They bore interest at a flat rate ranged from 4.5% to 4.8% per annum or a floating rate of 1% per annum over Prime Rate and were guaranteed by (i) Mr. Howard; or (ii) a Group company and both Mr. Howard and Mr. Smithers.

As at 31 July 2016, our bank borrowings were denominated in Hong Kong dollars, which are repayable on demand or within one year. They bore interest at a flat rate of 4.5% to 4.8% per annum and were guaranteed by Mr. Howard.

Our Directors confirm that there was no material delay or default in repayment of bank borrowings during the Track Record Period and up to the Latest Practicable Date.

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## FINANCIAL INFORMATION

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### *Amounts due to Shareholders*

The amounts due to Shareholders were mainly originated from the non-interest bearing advances provided by our Shareholders to our Group in meeting our working capital requirements during the Track Record Period. These amounts were non-trade in nature, unsecured, interest-free and repayable on demand. They had been fully repaid during the year ended 31 March 2016. Our Directors confirm that there will be no outstanding balance of any amount due from or to related party upon Listing.

### **Banking facilities**

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 July 2016, our Group had banking facilities of approximately HK\$8.8 million, HK\$20.7 million, HK\$41.7 million and HK\$40.7 million, respectively. Amongst the banking facilities of approximately HK\$40.7 million as at 31 July 2016, approximately HK\$27.7 million represented facility limit for letter of guarantee (for issuing performance bonds), approximately HK\$12.0 million represented facility limit for revolving trade financing and approximately HK\$1.0 million represented instalment loan facilities. The banking facilities were secured by (i) a fixed and floating charge on the trade receivables of a Group company; (ii) guarantees provided by a Group company; (iii) pledged deposits of our Group; and (iv) personal guarantees provided by our executive Directors. The banking facilities do not contain any material financial covenants.

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 July 2016, our Group had unutilised banking facilities of approximately HK\$8.0 million, HK\$8.0 million, HK\$14.2 million and HK\$14.0 million, respectively. Amongst the unutilised banking facilities of approximately HK\$14.0 million as at 31 July 2016, approximately HK\$2.0 million represented facility limit for letter of guarantee (for issuing performance bonds) and approximately HK\$12.0 million represented facility limit for revolving trade financing.

Our Directors confirm that the personal guarantees provided by our Directors in respect of our Group's banking facilities and any outstanding bank borrowings will be released upon Listing.

To the best knowledge and belief of our Directors, our Group will not have material difficulties in obtaining new banking facilities or renewing our existing banking facilities after Listing.

### **Guarantees**

Our Group provided guarantees in respect of the performance bonds issued by bank or insurance company in favour of our customers of certain contracts. The aggregate value of the performance bonds issued in favour of customers amounted to nil, approximately HK\$11.7 million, HK\$44.1 million and HK\$49.7 million as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 July 2016, respectively.

Our Directors are of the opinion that it is not probable that the relevant bank or insurance company will claim against our Group for losses under the guarantees as it is unlikely that our Group will be unable to fulfil the performance requirements of the relevant contracts. The performance bonds

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## FINANCIAL INFORMATION

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are secured by pledged deposits of our Group and certain performance bonds are also secured by personal guarantees of Mr. Howard and Mr. Smithers, and corporate guarantees of certain Group companies. Accordingly, no provision for our Group's obligations under the guarantees had been made as at the end of each reporting date during the Track Record Period.

Our Directors confirm that the personal guarantees provided by our Directors for any outstanding performance bonds will be released upon Listing.

Save for disclosed above and apart from intra-group liabilities, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 31 July 2016, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

### Material indebtedness change

Our Directors have confirmed that, up to the Latest Practicable Date, there has been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 31 July 2016, being the latest practicable date for the preparation of the indebtedness.

Our Directors have confirmed that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after Listing.

### OPERATING LEASE COMMITMENTS

As at 31 March 2014, 31 March 2015 and 31 March 2016, our Group had the following operating lease commitments in respect of the leased properties for our Group's offices in Hong Kong and Macau:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Not later than one year	1,222	1,398	1,115
Later than one year and not later than five years	1,804	795	—
<b>Total</b>	<b>3,026</b>	<b>2,193</b>	<b>1,115</b>

### CAPITAL COMMITMENTS

As at 31 March 2014, 31 March 2015 and 31 March 2016, our Group had no material capital commitments.

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## FINANCIAL INFORMATION

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### CAPITAL EXPENDITURES

#### Historical capital expenditures

During the Track Record Period, our capital expenditures mainly comprised purchases of property, plant and equipment of approximately HK\$101,000, HK\$469,000 and HK\$156,000 for the years ended 31 March 2014, 2015 and 2016, respectively. We principally funded our capital expenditures through internal resources.

#### Planned capital expenditures

Save for the additions of property, plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

### PROPERTY INTERESTS

As at the Latest Practicable Date, we leased three properties in Hong Kong and Macau from Independent Third Parties. For details, see “Business — Properties”. As at the Latest Practicable Date, we did not own any properties in Hong Kong and Macau.

### RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions in relation to short-term borrowings from Shareholders and remuneration for our key management personnel, details of which are set out in note 25 to the Accountant’s Report. Our Directors are of the view that these related party transactions as a whole were generally conducted in the ordinary course of our Group’s business on an arm’s length basis.

Having considered that the amounts of these related party transactions are relatively insignificant as compared to our Group’s revenue, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

Our Directors confirm that, save for the related party transactions in relation to remuneration for our key management personnel, the other related party transactions were ceased during the Track Record Period.

### OFF-BALANCE SHEET TRANSACTIONS

Our Directors confirm that our Group had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.



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## FINANCIAL INFORMATION

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### ANALYSIS OF KEY FINANCIAL RATIOS

		<b>Year ended 31 March</b>		
		<b>2014</b>	<b>2015</b>	<b>2016</b>
Net profit margin before interest and tax (%)	<i>(Note 1)</i>	4.0	5.0	5.1
Net profit margin (%)	<i>(Note 2)</i>	3.2	4.1	4.3
Return on equity (%)	<i>(Note 3)</i>	94.5	59.2	42.8
Return on total assets (%)	<i>(Note 4)</i>	7.5	11.0	9.3
Interest coverage (times)	<i>(Note 5)</i>	15.4	53.8	178.5
		<b>As at 31 March</b>		
		<b>2014</b>	<b>2015</b>	<b>2016</b>
Current ratio and quick ratio (times)	<i>(Note 6)</i>	1.1	1.2	1.3
Gearing ratio (%)	<i>(Note 7)</i>	163.1	47.7	3.1
Debt-to-equity ratio (%)	<i>(Note 8)</i>	N/A	N/A	N/A

*Notes:*

1. Net profit margin before interest and tax is calculated based on the net profit netting off the interest and tax expense for the financial year divided by total revenue for the financial year multiplied by 100%.
2. Net profit margin is calculated based on the net profit for the financial year divided by total revenue for the financial year and multiplied by 100%.
3. Return on equity is calculated based on the net profit for the financial year divided by total equity at the end of the financial year and multiplied by 100%.
4. Return on total assets is calculated based on the net profit for the financial year divided by total assets at the end of the financial year and multiplied by 100%.
5. Interest coverage is calculated based on the profit before interest and tax for the financial year divided by interest expenses for the financial year.
6. Current ratio is calculated based on the total current assets at the end of the financial year divided by the total current liabilities at the end of the financial year. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the financial year divided by the total current liabilities at the end of the financial year.
7. Gearing ratio is calculated based on total debt at the end of the financial year divided by total equity at the end of the financial year and multiplied by 100%. Debt of our Group refers to bank borrowings and amounts due to Shareholders.
8. Debt-to-equity ratio is calculated based on net debt at the end of the financial year divided by total equity at the end of the financial year and multiplied by 100%. Net debt is defined to include all borrowings net of cash and cash equivalents.

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### **Net profit margin and net profit margin before interest and tax**

Our Group recorded net profit margin of approximately 3.2%, 4.1% and 4.3% for the years ended 31 March 2014, 2015 and 2016, respectively. The increasing trend of our net profit margin during the Track Record Period was mainly attributable to the growth of our revenue, while our gross profit margin and operating expenses were maintained at relatively stable levels during the Track Record Period.

Our net profit margin before interest and tax was approximately 4.0%, 5.0% and 5.1% for the years ended 31 March 2014, 2015 and 2016, respectively, which was generally in line with the increasing trend of our net profit margin.

### **Return on equity**

Our Group had return on equity of approximately 94.5%, 59.2% and 42.8% for the years ended 31 March 2014, 2015 and 2016, respectively. Our return on equity decreased from approximately 94.5% for the year ended 31 March 2014 to approximately 59.2% for the year ended 31 March 2015, and further to approximately 42.8% for the year ended 31 March 2016 primarily due to the increase in our equity base as a result of the profit recognised for the Track Record Period and no dividend being declared or paid during the years ended 31 March 2015 and 2016.

### **Return on total assets**

Our Group had return on total assets of approximately 7.5%, 11.0% and 9.3% for the years ended 31 March 2014, 2015 and 2016, respectively. Our return on total assets increased from approximately 7.5% for the year ended 31 March 2014 to approximately 11.0% for the year ended 31 March 2015 mainly as result of the increase in our net profit for the year ended 31 March 2015, the effect of which outweighed the increase in our total assets. Our return on total assets declined to approximately 9.3% for the year ended 31 March 2016 mainly due to the significant increase in our total assets resulted from the increase in our amounts due from customers for contract work as at 31 March 2016.

### **Interest coverage**

Our Group had interest coverage of approximately 15.4 times, 53.8 times and 178.5 times for the years ended 31 March 2014, 2015 and 2016, respectively. The increasing trend of our interest coverage was in line with our increased profit before interest and tax and the decrease in our interest expenses due to the repayment of short-term borrowings from Shareholders during the Track Record Period.

### **Current ratio and quick ratio**

Our current ratio increased from approximately 1.1 times as at 31 March 2014 to approximately 1.2 times and 1.3 times as at 31 March 2015 and 31 March 2016, respectively. The improvement of our current ratio from 31 March 2014 to 31 March 2016 was primarily attributable to the increase in our current assets mainly as a result of the increase in amounts due from customers for contract work, trade and other receivables and pledged deposits, which outweighed the increase in our current liabilities mainly as a result of the increase in trade and other payables.

As our Group did not hold any material inventory as at 31 March 2014, 31 March 2015 and 31 March 2016, our Group's current ratio is equivalent to our quick ratio.

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## FINANCIAL INFORMATION

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### Gearing ratio

Gearing ratio of our Group was approximately 163.1%, 47.7% and 3.1% as at 31 March 2014, 31 March 2015 and 31 March 2016, respectively. The decrease in our gearing ratio was mainly attributable to the repayment of amounts due to Shareholders during the Track Record Period and the balance of which was fully settled as at 31 March 2016.

### Debt-to-equity ratio

Our Group had net cash position as at 31 March 2014, 31 March 2015 and 31 March 2016. Accordingly, debt-to-equity ratio was not applicable to our Group.

## SENSITIVITY AND BREAKEVEN ANALYSIS

### Sensitivity analysis

During the Track Record Period, our largest operating cost components included subcontracting costs and staff costs. These two largest operating cost components amounted to approximately HK\$531.0 million and HK\$49.3 million for the year ended 31 March 2016, respectively, representing approximately 80.3% and 7.5% of our revenue of approximately HK\$661.1 million for the same year, respectively. Any material fluctuation in these operating cost components may affect the results of our operations.

The following table sets forth the sensitivity analysis on our major operating cost components, namely subcontracting costs and staff costs, based on the hypothetical fluctuations of 4.5% and 11.0%, respectively, and their effects on our Group's net profit for each financial year during the Track Record Period with all other variables held constant.

	Increase/ (decrease) in percentage	Increase/(decrease) in net profit Year ended 31 March		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
Subcontracting costs	4.5%	(16,819)	(18,914)	(23,896)
	(4.5)%	16,819	18,914	23,896
Staff costs	11.0%	(4,702)	(5,405)	(5,418)
	(11.0)%	4,702	5,405	5,418

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## FINANCIAL INFORMATION

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A hypothetical change of 4.5% was adopted in the above sensitivity analysis on subcontracting with reference to the CAGR of approximately 4.4% of the average index of concrete block, being one of the major materials for renovation works with the highest CAGR of average index, from 2011 to 2015 as disclosed in “Industry Overview”. A hypothetical change of 11.0% was adopted in the above sensitivity analysis with reference to the CAGR of approximately 11.1% of the estimated average wage of the skilled labour in the renovation service industry in Hong Kong from 2011 to 2014 as disclosed in “Industry Overview”.

Because a number of assumptions have been applied, the above sensitivity analysis is for illustrative purposes only.

### **Breakeven analysis**

For the year ended 31 March 2014, it is estimated that, holding all other variables constant (including depreciation recognised), with an increase in (i) subcontracting costs by approximately 4.6%; or (ii) staff costs by approximately 40.1%, our Group would achieve breakeven in profit and loss.

For the year ended 31 March 2015, it is estimated that, holding all other variables constant (including depreciation recognised), with an increase in (i) subcontracting costs by approximately 6.3%; or (ii) staff costs by approximately 53.9%, our Group would achieve breakeven in profit and loss.

For the year ended 31 March 2016, it is estimated that, holding all other variables constant (including depreciation recognised), with an increase in (i) subcontracting costs by approximately 6.4%; or (ii) staff costs by approximately 68.5%, our Group would achieve breakeven in profit and loss.

### **FINANCIAL RISK MANAGEMENT**

The major financial risks arising from our Group’s normal course of business include credit risk, interest rate risk, liquidity risk and currency risk. For details, please refer to note 29 “Financial risk management” to the Accountant’s Report.

### **UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS**

The unaudited pro forma adjusted combined net tangible assets per Share as if the Share Offer had taken place on 31 March 2016 would be approximately HK\$0.14 (assuming an Offer Price of HK\$0.35 per Offer Share) and approximately HK\$0.17 (assuming an Offer Price of HK\$0.45 per Offer Share), respectively.

Prospective investors should note that, after taking into consideration a dividend of HK\$20.0 million declared on 11 June 2016 and paid on 23 September 2016 by our Company as disclosed in “— Dividend”, the unaudited pro forma adjusted combined net tangible assets per Share would be approximately HK\$0.12 (assuming an Offer Price of HK\$0.35 per Offer Share) and approximately HK\$0.14 (assuming an Offer Price of HK\$0.45 per Offer Share), respectively.

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## FINANCIAL INFORMATION

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For details, see “Unaudited Pro Forma Financial Information” set out in Appendix II to this prospectus.

### **DIVIDEND**

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of future dividends will be subject to our Directors’ decision and will depend on our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on audited financial report. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Currently, we do not have any predetermined dividend distribution ratio.

During the year ended 31 March 2014, IBI Group paid dividends of approximately HK\$6.2 million to its then shareholders. A dividend of HK\$20.0 million was declared on 11 June 2016 and paid on 23 September 2016 by our Company.

Our Group did not declare any dividend for the two years ended 31 March 2016. Our Directors consider that the retained earnings of our Group accumulated over the past years are attributable to the considerable support of our existing Shareholders on the development of our Group. Therefore, our Directors consider it fair and commercially rational and justifiable to reward our existing Shareholders through distribution. The distribution of dividend by no means undermine the existing Shareholders’ long-term commitment to our Group and there is no contradiction between rewarding our existing Shareholders for their prior years’ commitment through the distribution and raising funds through the Share Offer for enlarging shareholder base and future business expansion. Our Controlling Shareholders remain committed to the long term growth of our Group, as demonstrated by the voluntary undertaking as discussed in “Relationship with our Controlling Shareholders — Undertakings”. Our Directors confirm that our Group had sufficient resources to make the distribution of the dividend of HK\$20.0 million and that it would not have any material adverse impact on our Group’s financial position.

### **DISTRIBUTABLE RESERVES**

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. Our Company was incorporated on 6 April 2016 and there was no distributable reserve as at 31 March 2014, 31 March 2015 and 31 March 2016, respectively.

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### **DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES**

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### **POST BALANCE SHEET EVENTS**

Please refer to “Summary and Highlights — Recent developments subsequent to the Track Record Period” and “Events after the reporting period” in note 31 to the Accountant’s Report.

### **RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE**

Please refer to “Summary and Highlights — Recent developments subsequent to the Track Record Period” for details.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

#### Business outlook

Our Directors consider the business prospects of our Group are positive taking into consideration the following industry growth drivers.

#### *Hong Kong*

According to the Industry Report, the supply of offices, retail and food and beverage premises, and leisure and hospitality premises in Hong Kong is expected to increase steadily in the coming years. The gross value of the renovation service industry for offices and commercial premises is expected to increase at a CAGR of approximately 11.6% and 10.9%, respectively, between 2016 and 2020. Although the total number of visitors to Hong Kong in the first half in 2016 decreased by approximately 7.4% as compared with the corresponding period in 2015, the total number of visitors to Hong Kong remained high. Hong Kong remains an attractive international financial hub and shopping paradise, and is expected to have continued demand for hotel buildings and retail spaces. There are also favourable government policies in relation to the tourism industry which are expected to have positive impact on the retail market in Hong Kong and provide continued support to the demand for hotels and shopping malls in Hong Kong.

Due to the high rental level of Grade A and Grade B offices in Hong Kong's traditional business districts and the low vacancy rate of such offices, there is an increasing tendency for tenants or occupiers to hire fitting-out and/or alteration and addition experts to rearrange the office space in order to enhance the efficiency in the use of office spaces and to accommodate more employees within the same limited office space. Moreover, during periods of slow economic growth, many corporations would relocate from the traditional business districts where rental rates are high to less expensive premises in the new business districts, such as the Kowloon East. For instance, we were awarded fitting-out contracts with a total notional contract sum of approximately HK\$256.2 million from Customer J for its new office building in Kowloon East.

In its 2015 Policy Address, the Hong Kong Government re-emphasised its plans to revitalise old and dilapidated buildings by encouraging people to submit alteration and addition work plans to enhance the quality and efficiency of the buildings. Further in its 2016 Policy Address, the Hong Kong Government stated that it would continue to promote the conversion of Kowloon East into the second core business district. These policies will help increase the demand for our Group's renovation services. For instance, we completed an alteration and addition contract with a notional contract sum of approximately HK\$161.1 million for wholesale conversion of an industrial building for office use in Kowloon East during the Track Record Period.

#### *Macau*

The recent slowdown in the gaming industry in Macau has negatively affected the investment interest in new hotels and casinos and in turn resulted in a decrease in the growth rate of the renovation service industry. However, our Directors expect that the existing hotels and casinos in Macau will continue to carry out refurbishment and renovation plans for their facilities even during economic downturn in order to remain competitive in the leisure and hospitality industry. Moreover, according to the Industry Report, with (i) further implementation of the PRC's opening up policy such as the potential expansion of Mainland and Hong Kong Closer Economic Partnership Arrangement to include

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## FUTURE PLANS AND USE OF PROCEEDS

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Macau; (ii) the Macau Government's increased efforts to support small and medium enterprises, community consumption activities and exhibition and auction industries; (iii) the expected increase in the number of visitors to Macau associated with the planned completion of the Hong Kong-Zhuhai-Macau Bridge in 2017; and (iv) the expansion of business of the international brand retailers into Macau, the demand for commercial buildings, offices, hotels, casinos and retail spaces is expected to remain solid. Driven by these factors, the gross value of renovation service industry in Macau is expected to gradually rise at a CAGR of approximately 9.7% between 2016 and 2020, according to the Industry Report. In fact, five out of the 10 new projects that our Group secured subsequent to the Track Record Period are works for certain facilities of Customer E's casino and resort in Macau with a total notional contract sum of approximately HK\$27.0 million.

### *Impact of the possible sluggish economic growth on our Group's business*

As discussed above, despite the signs of sluggish economic growth as indicated by the deteriorating retail market, the declining number of tourists and the downturn of the property market in Hong Kong and Macau, our Directors are of the view that the business prospects of the renovation service industry in Hong Kong and Macau remain positive. Further, the downturn of the retail, tourism and property markets is not expected to have any material adverse impact on our Group's business having considered that we were not involved in any projects that were directly related to the residential property market during the Track Record Period and we are not reliant on the retail market. Although our Group will be alert and receptive to new business opportunities, we will remain focused on the corporate and commercial markets. In particular, we currently have no intention to actively pursue the residential property market. Also, our project portfolio does not have a strong tourism focus, hence the declining number of tourists is not materially relevant to our Group's business. Projects in respect of retail and other premises only accounted for approximately 8.1%, 0.7% and 11.5% of our Group's total revenue during the Track Record Period, respectively. Majority of our projects in respect of food and beverage premises and leisure and hospitality premises during the Track Record Period were for Customer A, a horse racing and betting operator in Hong Kong, in terms of revenue recognised during the Track Record Period. Our Directors are of the view that Customer A's budget for refurbishment and enhancement works would not be materially affected by the status of the retail market or the property market. Besides, the tourism and retail markets in Hong Kong and Macau are cyclical. The short term fluctuations of the tourism and retail industries are not expected to have a prolonged adverse impact on the business outlook of the general demand for our Group's renovation services in such sectors.

Our Directors confirm that we have not experienced any negative impact to date from the deteriorating retail market, the declining number of tourists and the downturn of the property market in Hong Kong and Macau. Our Directors also confirm that we have not experienced any decreasing trend in the volume of tender opportunities subsequent to the Track Record Period and up to the Latest Practicable Date.

### *Projects in pipeline*

After the Track Record Period and up to the Latest Practicable Date, we were awarded a total of 10 projects, including (i) nine fitting-out projects with a total notional contract sum of approximately HK\$123.2 million; and (ii) one alteration and addition project with a notional contract sum of approximately HK\$84.0 million, pursuant to one tender submitted during the Track Record Period and nine tenders or quotations submitted after the Track Record Period and up to the Latest Practicable Date.



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## FUTURE PLANS AND USE OF PROCEEDS

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### *Invitations to express interests*

After the Track Record Period and up to the Latest Practicable Date, we had (i) expressed our interests to 26 invitations from our customers requesting us to express our interests to tender for certain projects; and (ii) declined 40 invitations to express interests to tender.

As at the Latest Practicable Date, 10 invitations to which we had expressed interests to tender were pending invitations to tender to be received. Our Directors estimate that the total expected notional contract sum of the projects in relation to these 10 invitations would be approximately HK\$1,237.0 million. Out of these 10 invitations, nine invitations related to projects which had an expected individual notional contract sum of not less than HK\$10.0 million, details of which are as follows:

<b>No.</b>	<b>Services to be provided</b>	<b>Expected notional contract sum<sup>(1)</sup></b>	<b>Expected date of invitation to tender<sup>(2)</sup></b>
		<i>(HK\$' million)</i>	
1	Fitting-out works for corporate premises	250.0	September 2016
2	Fitting-out works for corporate premises	100.0	December 2016
3	Alteration and addition works	100.0	October 2016
4	Fitting-out works for leisure and hospitality premises	320.0	September 2016
5	Fitting-out works for leisure and hospitality premises	360.0	September 2016
6	Fitting-out works for leisure and hospitality premises	40.0	October 2016
7	Fitting-out works for corporate premises	30.0	October 2016
8	Fitting-out works for corporate premises	15.0	October 2016
9	Fitting-out works for food and beverage premises	20.0	October 2016

*Notes:*

- Expected notional contract sum is a notional contract sum estimated by our Directors with reference to factors such as the expected scope of works and the notional contract sum for projects of similar nature, which could differ from the actual notional contract sum.
- Expected date of invitation to tender means the expected date of invitation to tender as specified in the invitation to express our interests or as verbally communicated between our Group and our customer or its consultant team.

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## FUTURE PLANS AND USE OF PROCEEDS

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### *Tenders to be submitted*

As at the Latest Practicable Date, we were preparing submissions for six tenders. Our Directors estimate that the total expected notional contract sum of the projects in relation to these six tenders to be submitted would be approximately HK\$158.5 million. Out of these six tenders to be submitted, three of which related to projects in Hong Kong which had an expected individual notional contract sum of not less than HK\$10.0 million, details of which are as follows:

<u>No.</u>	<u>Services to be provided</u>	<u>Expected notional contract sum</u> <i>(HK\$' million)</i>	<u>Expected date of tender submission</u>
1	Alteration and addition works	50.0	September 2016
2	Fitting-out works for corporate premises	60.0	September 2016
3	Fitting-out works for leisure and hospitality premises	40.0	October 2016

### *Tenders or quotations submitted*

After the Track Record Period and up to the Latest Practicable Date, we had (i) submitted 46 tenders or quotations for new projects; and (ii) declined 20 invitations to tender or requests for quotations.

The following table sets out the status/results of those 46 tenders or quotations submitted as at the Latest Practicable Date:

<u>Status/results as at the Latest Practicable Date</u>	<u>Number of tenders or quotations submitted</u>
Successful	9
Unsuccessful	18
Pending results	19
Total	<u>46</u>

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## FUTURE PLANS AND USE OF PROCEEDS

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The total notional contract sum of the nine projects for which we have successfully won the tenders or have our quotations accepted by customer amounted to approximately HK\$206.5 million. The total expected notional contract sum of the 19 projects for which we had yet to receive results after submitting the tenders or quotations as at the Latest Practicable Date was approximately HK\$581.5 million. Out of these 19 projects, 10 projects had an expected individual notional contract sum of not less than HK\$10.0 million, details of which are as follows:

No.	Services to be provided	Expected notional contract sum <i>(HK\$' million)</i>	Expected date of result <sup>(Note)</sup>
<b><i>Hong Kong</i></b>			
1	Alteration and addition works	168.3	October 2016
2	Alteration and addition works	163.0	October 2016
3	Fitting-out works for corporate premises	26.8	October 2016
4	Fitting-out works for retail premises	24.7	October 2016
5	Fitting-out works for corporate premises	10.3	October 2016
6	Fitting-out works for corporate premises	75.0	October 2016
<b><i>Macau</i></b>			
7	Fitting-out works for leisure and hospitality premises	15.1	October 2016
8	Fitting-out works for leisure and hospitality premises	50.0	October 2016
9	Fitting-out works for leisure and hospitality premises	13.6	October 2016
10	Fitting-out works for food and beverage premises	11.2	October 2016

*Note:* Expected date of result means the date we expect our customer will notify us of the result of the relevant tender or quotation submitted.

The total estimated notional contract sum for the 35 prospective projects amounts to approximately HK\$1,977.0 million, of which (i) approximately HK\$1,237.0 million is attributable to 10 projects which we expressed interests while pending invitations to tender; (ii) approximately HK\$158.5 million is attributable to six projects for which we are preparing submissions for tender; and (iii) approximately HK\$581.5 million is attributable to 19 projects for which we have yet to receive results after submitting tenders or quotations.

Among the above prospective projects, based on our Directors' best estimation and the information available as at the Latest Practicable Date, our Group is confident to obtain the following:

- (i) a fitting-out project in Hong Kong with one of our recurring five largest customers during the Track Record Period, for which we had attended the pre-qualification interview as at the Latest Practicable Date;
- (ii) an alteration and addition project in Hong Kong with one of our five largest customers during the Track Record Period and is the subsequent phase of one of our existing projects, for which we had attended the second tender interview as at the Latest Practicable Date;

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## FUTURE PLANS AND USE OF PROCEEDS

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- (iii) a fitting-out project in Macau with one of our recurring five largest customers during the Track Record Period, for which we had attended the first tender interview as at the Latest Practicable Date; and
- (iv) a fitting-out project in Macau with one of our recurring five largest customers during the Track Record Period, for which we had responded to their post tender queries as at the Latest Practicable Date.

Our Directors estimate that the total estimated notional contract sum of the above four prospective projects would be approximately HK\$469.0 million. The total corresponding start-up costs in respect of such four prospective projects are estimated to be approximately HK\$49.7 million based on the weighted average Start-up Cost Ratio (as defined below) during the Track Record Period.

### **Strategic plan for our Group's operation and growth**

We aim to expand our scale of business and strengthen our market position in the renovation service industry in Hong Kong and Macau. We plan to further strengthen our market position in the fitting-out industry in Hong Kong, further expand our alteration and addition business in Hong Kong and solidify our market position in the renovation service industry in Macau. See “Business — Our business strategies” for detailed description of our future plans and business strategies.

Our Group receives an ample volume of tender opportunities from time to time. However, being a private entity with the current level of available financial resources, we have to be highly specific with the project opportunities that we pursue. In this connection, our Group declines invitations to tender from time to time. During the Track Record Period, our Group declined invitations to tender in relation to 42 projects due to financial constraints. Our Directors estimate that the total notional contract sum for such projects would be approximately HK\$2,008.4 million. Following the Listing, with the net proceeds from the Share Offer and the flexibility and additional avenues to raise funds, our Group plans to actively pursue more larger sized projects so as to expedite our organic growth by (i) participating in a greater proportion of tender opportunities (especially the larger sized projects) that we receive; (ii) proactively strengthening business relationships with our business partners, such as project managers, building services consultants, architects, quantity surveyors, customers and subcontractors; and (iii) increasing the number of our professional and skilled staff (such as quantity surveyors, accounting staff, safety officers, working drawing staff and staff for tendering department) to cope with the increased tendering activities and to execute the additional works that are secured.

### **USE OF PROCEEDS**

We estimate that the net proceeds which we will receive from the Share Offer, after deducting underwriting fees and estimated expenses in relation to the Share Offer payable by our Company, will be approximately HK\$56.2 million (based on the mid-point of the indicative Offer Price range of HK\$0.4 per Offer Share and 200,000,000 Offer Shares). We intend to apply the net proceeds from the Share Offer for the following purposes:

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## FUTURE PLANS AND USE OF PROCEEDS

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- approximately HK\$51.0 million or approximately 90.8% for expediting our organic growth and expanding our business scale by undertaking more and larger sized fitting-out and alteration and addition projects in Hong Kong and Macau. We will apply the allocated net proceeds from the Share Offer for paying the start-up costs of such prospective projects, which will include project insurance fees, costs of materials, subcontracting fees for certain start-up works and cash collateral for performance bonds; and
- approximately HK\$5.2 million or approximately 9.2% for general corporate purposes of our Group, including our staff costs, rental, marketing and compliance expenses.

We typically pay the start-up costs such as project insurance fees, costs of materials and subcontracting fees for certain start-up works such as site establishment, hoarding, scaffolding and demolition in advance of payment from our customers, while our customers normally make progress payments after our works commence with limited or no advance payment. As such, we normally incur net cash outflows at an early stage of carrying out our works. In addition, for some projects, we are required to provide performance bonds for an amount of typically 5.0% or 10.0% of the total contract sum backed by cash collateral and/or guarantees in favour of our customers. For details, see “Business — Our customers — Key contract terms”. The cash flow requirement at the initial stage of our projects constrains the number of projects that we could take on under our currently available resources. Our Directors therefore consider it beneficial to our Group to strengthen our capital base through raising funds under the Share Offer so that our Group will be able to tender for more projects with larger contract sums after the Listing. For details of our capital requirements and reasons for the Share Offer, please refer to “— Reasons for the Listing and the Share Offer — Our capital requirements and reasons for the Share Offer”. For details of our projects in pipeline, see “— Future plans — Business outlook — Projects in pipeline”.

While the respective percentages of revenue contribution between our fitting-out and alteration and addition projects in Hong Kong and Macau have remained relatively stable throughout the Track Record Period, we do not have such a target split. We obtain most of our projects through a tender process and we intend to pursue all available tender opportunities which satisfy our tender assessment criteria in order to maximise our business opportunities. Our Directors consider it impractical and against the interest of our Group to allocate the net proceeds from the Share Offer by the types or geographical locations of projects, which would otherwise restrict our opportunities to take on new projects.

If the Offer Price is fixed at the high end of the Offer Price range, being HK\$0.45 per Offer Share, the net proceeds we receive from the Share Offer will increase to approximately HK\$65.9 million.

If the Offer Price is fixed at the low end of the Offer Price range, being HK\$0.35 per Offer Share, the net proceeds we receive from the Share Offer will decrease to approximately HK\$46.5 million.

To the extent that the net proceeds of the Share Offer are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro-rata basis.

To the extent that net proceeds of the Share Offer are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we presently intend to deposit such net proceeds into short-term deposits with licensed banks and/or financial institutions.

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## FUTURE PLANS AND USE OF PROCEEDS

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### REASONS FOR THE LISTING AND THE SHARE OFFER

#### Commercial rationale for the Listing

Our Directors believe that the Listing is strategically critical to the long-term growth of our Group as it will help promote our brand awareness, strengthen our competitiveness, capture more business opportunities, enlarge the shareholder base of our Company, provide our Group additional avenues to raise capital in the long run, and ultimately lay a solid foundation and equip our Group for long term development and growth.

The listing status will enhance our Group's reputation and brand awareness. We obtain most of our customers' contracts through the tender process. Reputation and financial strength and credibility are two of the major factors that customers will consider when assessing our tender submissions. Our Directors believe that having a listing status can enhance our Group's corporate profile and credibility with the public and our potential business partners. In addition, our Directors are of the view that the Listing will also increase our bargaining power in negotiating contract terms with potential business partners. As a listed entity, customers and subcontractors will have more confidence in the quality of our Group's services, our financial strength and credibility, and transparency in operations and financial reporting. Our internal control and corporate governance practice will also be enhanced following the Listing. All of the above will in turn strengthen our competitiveness, expand our market share and benefit our business performance and growth.

The listing status will help raise staff confidence. It will improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise. The Listing will enable us to offer an equity-based incentive program (such as a share option scheme) to our employees that more directly correlates to their performance with our business. We would therefore be in a better position to motivate our employees with any incentive programs that are closely aligned with the objective of creating value for our Shareholders.

Our Company will be able to diversify the risk of ownership among a larger group of Shareholders, which is important as we continue to expand our business. Our Controlling Shareholders are not selling any Shares as part of the Share Offer, and currently have no intention to dispose of any Shares that he/it holds subsequent to the Share Offer and intend to enjoy the growth of our Group alongside our investors in the long run. In addition, to demonstrate their commitment to the long-term development of our Group, each of our Controlling Shareholders has voluntarily undertaken to the Stock Exchange that for an additional 12 months commencing on the date on which the undertaking under Rule 10.07(1)(b) of the Listing Rules expires, he/it shall remain as our controlling shareholder. For details, see "Relationship with our Controlling Shareholders — Undertakings".

Following the Listing, we will have access to the capital markets, providing us additional avenues for future fundraising through the issuance of equity and debt securities for business development in the long run. We had been relying on internally generated funds, Shareholders' loans and bank borrowings to support our capital requirements. Being a private company with a small shareholder base, the amount of Shareholders' loans available is limited. Further, the financing cost of bank borrowings are usually relatively higher for private companies and banks would normally require guarantees from our Shareholders for securing the bank borrowings. Therefore, our Group's

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## **FUTURE PLANS AND USE OF PROCEEDS**

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reliance on bank borrowings to finance our operations will increase our expenses and place significant financial burden on the small group of Shareholders. Further, some of the projects require us to provide performance bonds backed by guarantees from our Shareholders in favour of customers. All in all, being a private entity, our financial resources rely largely on the financial strength of the small group of Shareholders. This substantially hinders the development and expansion of our business. Our Directors are of the view that no healthy, sizeable and established corporation should rely heavily on the financial resources of its shareholders to fund its operations. On the other hand, equity financing does not involve recurring interest expense and the financing process is usually simpler and quicker than negotiating bank borrowings, and therefore would allow our Group to react promptly to market conditions and business opportunities. Further, our Directors believe that a listing status will allow us to gain leverage in obtaining bank financing and performance bond for our projects with relatively more favourable terms. Therefore, the Listing will allow us to cease our financial reliance on our Controlling Shareholders and offer us more flexibility to finance our operation.

In summary, the Listing will help strengthen the competitiveness of our Group, improve our financial standing, allowing us to respond to business opportunities expediently and levelling the playing field with our listed competitors while differentiating us from our private competitors, so as to be in a better position to negotiate and solicit more and larger sized projects and securing our market position in the renovation service industry. This will allow us to be able to implement our development strategies to capture more business opportunities when they arise and to benefit from the industry growth. This in turn will benefit the long term expansion and growth of our Group. Our decision to pursue the Listing is not solely dependent on the state of the economy or the relevant markets. Our Directors consider it important that our Group will at all time strive to strengthen our competitiveness and financial standing, in order to be well-prepared to respond to adversities and to minimise their impact on our Group when they arise, so as to maintain our market position in the renovation service industry and be sustainable in the long run. Therefore, our Directors consider it is commercially justifiable to pursue the Listing now.

### **Our capital requirements and reasons for the Share Offer**

The start-up costs of our projects typically include project insurance fees, costs of materials and subcontracting fees for certain start-up works such as site establishment, hoarding, scaffolding and demolition. We typically pay the start-up costs in advance of payment from our customers, while our customers normally make progress payments after our works commence with limited or no advance payment. We typically submit a payment application to our customer's consultant team on a monthly basis or after the specified milestone is reached. Based on the payment application, the customer's consultant team will issue an interim payment certificate to us certifying the percentage of completion of works done or the reaching of the specified milestone. We will then present the interim payment certificate to our customer. In general, our customers will make payments to us within 14 to 60 days from the date of the presentation of the interim payment certificates to the customers. As such, our customers generally make the first interim payments towards the third month following the commencement of the projects and we would incur net cash outflows at an early stage of carrying out our works (generally for the first three months). In addition, for some projects, we are required to provide performance bonds for an amount of typically 5.0% or 10.0% of the total contract sum backed by cash collateral and/or guarantees in favour of our customers. The performance bond normally expires or is released upon completion of the project unless otherwise specified in the contract. For details, see "Business — Our customers — Key contract terms".



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## FUTURE PLANS AND USE OF PROCEEDS

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The amount of the start-up costs (including the requirement for performance bonds) varies among projects depending on the requirements of the customers and the specifications of the projects. The amount of cash collateral for the performance bonds are subject to the requirements of the issuing banks or insurance companies. For reference, the weighted average ratio of start-up costs for the first three months of project implementation to notional contract sum (“**Start-up Cost Ratio**”) of our projects commenced during the Track Record Period with an individual notional contract sum of not less than HK\$10.0 million is estimated to be approximately 10.6%, and the range of which was approximately 2.9% to 23.2%. In regards to our plan to actively pursue more larger sized projects with the net proceeds from the Share Offer, it is noted that the four largest projects with an individual notional contract sum of over HK\$100 million that we completed during the Track Record Period or currently have on hand required start-up costs ranging from approximately HK\$11.3 million to HK\$23.2 million for the first three months of implementation of each of these projects, representing Start-up Cost Ratios ranging from approximately 6.5% to 18.2%. While the amount of start-up costs varies among projects, for illustrative purpose only, it is estimated that the allocated net proceeds from the Share Offer of approximately HK\$51.0 million (based on the mid-point of the indicative Offer Price range of HK\$0.4 per Offer Share and 200,000,000 Offer Shares) can be used to fund the start-up costs of our prospective projects with an aggregate notional contract sum of approximately HK\$481 million, applying the weighted average Start-up Cost Ratio of approximately 10.6% as discussed above.

In March 2016, we commenced a large fitting-out project for Customer J with a notional contract sum of approximately HK\$128.8 million. The start-up costs (including the cash collateral for performance bonds) of such project paid during March to June 2016 amounted to approximately HK\$21.6 million. Further, after the Track Record Period and up to the Latest Practicable Date, we were awarded a total of 10 projects (pursuant to one tender submitted during the Track Record Period and nine tenders or quotations submitted after the Track Record Period and up to the Latest Practicable Date) with a total notional contract sum of approximately HK\$207.2 million. The total start-up costs (including the cash collateral for performance bonds) for these 10 projects is expected to be approximately HK\$37.8 million, which were or are expected to be paid during April to November 2016. Among the total start-up costs of approximately HK\$37.8 million for these 10 projects, approximately HK\$37.6 million is attributable to the nine projects that we have successfully won the tenders or have our quotations accepted by our customer submitted after the Track Record Period and up to the Latest Practicable Date.

As illustrated above, our cash flow requirement could be rather significant from time to time, particularly when several projects commence within a short period of time. The cash flow mismatch due to start-up costs has largely contributed to the net cash used in operating activities of approximately HK\$171,000 for the year ended 31 March 2016. Further, as a result of the aforesaid large project with Customer J that commenced in March 2016 and the six new projects awarded subsequent to the Track Record Period, our cash and cash equivalents decreased from approximately HK\$51.6 million as at 31 March 2016 to approximately HK\$28.9 million as at 31 July 2016. Moreover, amongst the unutilised banking facilities of approximately HK\$14.0 million as at 31 July 2016, approximately HK\$2.0 million represented facility limit for letter of guarantee (for issuing performance bonds) and approximately HK\$12.0 million represented facility limit for revolving trade financing. The facility limit for revolving trade financing of HK\$12.0 million has been utilised by us on a short-term basis from time to time. As illustrated above, the current financial resources available to our Group is only sufficient for the present scale of our business turnover.



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## FUTURE PLANS AND USE OF PROCEEDS

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Therefore, the cash flow requirement at the initial stage of our projects constrains the number of projects that we could take on under our currently available resources. Being a private entity, our financial resources rely largely on the financial strength of a small group of Shareholders, which substantially restricts our Group's development and expansion plan. Our Directors therefore consider it beneficial for us to strengthen our capital base through raising funds under the Share Offer so that we would be able to tender for more projects with larger contract sums and in turn expand the scale of our business after the Listing. In turn, we would be able to implement our development strategies to capture more business opportunities when they arise and to benefit from the industry growth.

Our financial standing is one of the major consideration factors for our customers during the tender assessment process. During the pre-qualification/tender process for some projects, particularly the larger sized ones, we are required by our customers to demonstrate that we have sufficient financial resources to undertake the project and we may be requested to provide our audited accounts, statement of outstanding workload (including the annual and outstanding contract value) and our working capital position for such purpose. For some projects, particularly the larger sized ones, our customers' assessment criteria will also include whether our available financial resources are sufficient to manage the new projects and our commitment on other projects on hand, when considering whether to award us the contracts. If we start to plan for any fund raising only after we are invited to submit a pre-qualification application/tender, given the time required to raise funds against the time required to respond to the pre-qualification application/invitation to tender, we would most likely lose the business opportunity. Therefore, we must strengthen our financial position and enlarge our capital base before we could pursue new project opportunities for expanding the present scale of our business turnover.

The Listing expenses represent approximately 26.7% to 33.5% of the gross proceeds of the Share Offer based on the indicative Offer Price range. It should be emphasised that the Company did not pursue the Listing solely for the net proceeds from the Share Offer. Instead, the Listing provides a jump board that enables us to achieve long-term benefits for our continuing development. Therefore, our Directors consider the Listing exercise as a whole to be cost effective.

Having considered the aforesaid, our Directors consider, and the Sole Sponsor concurs, that it is strategically and commercially justifiable and in the interests of our Company and our Shareholders as a whole to pursue the Listing and the Share Offer.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### **Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager**

Quam Securities Company Limited

#### **Co-Managers**

Ample Orient Capital Limited

Bonus Eventus Securities Limited

Brilliant Norton Securities Company Limited

China Galaxy International Securities (Hong Kong) Co., Limited

Convoy Investment Services Limited

Frontpage Capital Limited

Opus Capital Limited

Sinomax Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 20,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

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## UNDERWRITING

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### *Grounds for termination*

The respective 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. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right, in its sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
  - (i) any statement contained in this prospectus, the Application Forms, the post hearing information pack, the formal notice, any submission, document or information provided to the Sole Sponsor and/or the Sole Global Coordinator and any announcement or document issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) (the “**Offer Documents**”) was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expression of opinion, intention or expectation contained in any such document is not in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted a material omission from the Offer Documents in the context of the Share Offer; or
  - (iii) either (1) there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters); or (2) any matter or event showing or rendering any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sole Global Coordinator, to be untrue, incorrect, inaccurate or misleading in any respect when given or repeated; or
  - (iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our executive Directors or Controlling Shareholders pursuant to the indemnity provisions under the Public Offer Underwriting Agreement or the Public Offer to be performed or implemented as envisaged; or
  - (v) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and prior to 8:00 a.m. on the Listing Date, being an event, a series of events, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have

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## UNDERWRITING

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rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sole Global Coordinator, untrue, incorrect, inaccurate or misleading in any material respect; or

- (vi) approval by the Listing Committee of the listing of, and permission to deal in, our Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (vii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
  - (viii) any person (other than the Sole Sponsor, the Sole Global Coordinator and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Offer Documents 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
- (b) there shall develop, occur, exist, or come into effect:
- (i) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated form), accidents, interruption or delay in transportation, 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 Hong Kong, Macau, the PRC, the BVI, the Cayman Islands, or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the “**Relevant Jurisdictions**”); or
  - (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances resulting or likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or other market conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the United

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- States dollar, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting the Relevant Jurisdictions; or
- (iii) any change in the general fund raising environment in the Relevant Jurisdictions; or
  - (iv) 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 the Relevant Jurisdictions; or
  - (v) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the Relevant Jurisdictions; or
  - (vi) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions; or
  - (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in “Risk Factors”; or
  - (viii) any litigation or claim of importance being instigated or threatened against any member of our Group or any Director; or
  - (ix) the chairman or chief executive officer of our Company vacating his office; or
  - (x) the commencement by any governmental, judicial, regulatory or political body or organisation of any investigation or other action against a Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
  - (xi) any contravention by any member of our Group or any Director or any Controlling Shareholder of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the Listing Rules, the SFO or any applicable laws and regulations; or
  - (xii) a prohibition on our Company for whatever reason from offering, allotting and issuing any of the Offer Shares pursuant to the terms of the Public Offer and/or the Share Offer; or
  - (xiii) the issue or requirement to issue by our Company of a supplement or amendment to any of the Offer Documents (and/or any other documents used in connection with the

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issue of the Offer Shares) pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstance where the matter to be disclosed is, in the opinion of the Sole Sponsor or the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Share Offer; or

- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xv) any material adverse change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against our Company or any member of our Group); or
- (xvi) a petition or order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xvii) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or
- (xviii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which, in each case or in aggregate, in the sole and absolute opinion of the Sole Global Coordinator:

- (i) is or may or will be or is likely to be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group or to any present or prospective shareholder in his, her or its capacity; or
- (ii) has or may or will have or is likely to have a material adverse effect on the success or marketability or pricing of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or

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- (iii) makes or may or will make it inadvisable, inexpedient or impracticable to proceed with or to market the Public Offer and/or the Placing on the terms and in the manner contemplated in the Underwriting Agreements, this prospectus and the Application Forms; or
- (iv) has or may or will or is likely to have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Offer Documents and the Public Offer Underwriting Agreement or which prevents or delays the processing of applications and/or payments pursuant to the Public Offer and/or the Share Offer or pursuant to the underwriting thereof.

### *Indemnity*

Our Company, our Controlling Shareholders and our executive Directors, have agreed to indemnify the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

### *Lock-up undertakings to the Public Offer Underwriters*

#### *Undertakings by our Company*

Our Company has undertaken with the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, and each of our executive Directors and Controlling Shareholders has undertaken irrevocably and unconditionally with the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to procure that:

- (a) except for the issue of the Shares pursuant to the Share Offer, the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of the Shares on exercise thereof or as otherwise with the Sole Global Coordinator's prior written consent, and unless in compliance with the Listing Rules, our Company will not, and will procure none of our subsidiaries will, at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"):
  - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, 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, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or, as applicable to our subsidiaries only, repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or

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- (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, debt capital or securities or interest therein as described in paragraph (i) above; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the aforesaid period); and

- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any member of our Group or any interest therein by virtue of the aforesaid exceptions or during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

### *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, save as pursuant to the Share Option Scheme, he/it will not, and will procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it will not, without the Sole Global Coordinator’s prior written consent and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period:
  - (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; or



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- (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (b) at any time during the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that:

- (a) until expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions referred to in paragraph (a) or (b) above or agrees or contracts to or publicly announces an intention to enter into any such transactions by virtue of the aforesaid exceptions, he/it will take all reasonable steps to ensure that such action will not create a disorderly or false market in the Shares or other securities of our Company;
- (b) comply with the requirements of Rule 10.07(1) and Notes (1), (2) and (3) to Rule 10.07(2) of the Listing Rules, to procure that our Company will comply with the requirements under Note (3) of Rule 10.07(2) of the Listing Rules, and comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it and his/its close associates and companies controlled by him/it of any Shares or other securities of our Company; and
- (c) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, our Controlling Shareholders will:
  - (i) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sole Sponsor and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and

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## UNDERWRITING

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- (ii) when he/it receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Stock Exchange in writing of any such indication.

Our Company has undertaken to the Sole Sponsor, and our executive Directors and our Controlling Shareholders have undertaken to the Sole Sponsor that they will procure our Company to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraph (a), (b) or (c) above, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

### *Lock-up undertakings to the Stock Exchange*

#### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange not to (i) issue further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or (ii) cause further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) to form the subject of any agreement to such that an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except in certain circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

#### *Undertakings by our Controlling Shareholders*

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company respectively that, save as permitted under the Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) within the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner(s);
- (b) within the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares of our Company 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/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company.

In addition, our Controlling Shareholders have undertaken that for an additional 12 months commencing on the date on which the Second Six-Month Period expires, he/it shall not, and shall procure that the relevant registered holder(s) and his/its respective associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange, dispose of, nor enter into any agreement to dispose of or

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## UNDERWRITING

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otherwise create any options, rights, interests, or encumbrances in respect of, any shares of our Company held by him/it or any of his/its respective associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would together cease to be our controlling shareholders.

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges/charges any securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge/charge together with the number of securities of our Company so pledged/charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform our Company of such indications.

### **Placing**

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and the executive Directors) will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Global Coordinator and the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in “— Underwriting arrangements and expenses — Public Offer — Lock-up undertakings to the Public Offer Underwriters”.

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## UNDERWRITING

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### **Commission and expenses**

The Public Offer Underwriters will receive a commission of 3.0% of the aggregate Offer Price payable for the Public Offer Shares underwritten by them, out of which they will pay any sub-underwriting commissions. The Public Offer Underwriters will not receive any underwriting commission regarding any Offer Shares re-allocated from the Placing to the Public Offer or re-allocated from the Public Offer to the Placing and any such commission will be retained by the Sole Global Coordinator.

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$23.8 million in total based on an Offer Price of HK\$0.4 (being the mid-point of the indicative Offer Price range) and 200,000,000 Offer Shares, and are payable by our Company.

### **SOLE SPONSOR'S, SOLE GLOBAL COORDINATOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY**

The Sole Sponsor will receive a documentation fee. The Sole Global Coordinator and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under “— Underwriting arrangements and expenses — Commission and expenses”.

We have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor, the Sole Global Coordinator and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members nor any interest in the Share Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE STRUCTURE OF THE SHARE OFFER

The Share Offer consists of the Public Offer and the Placing.

Quam Securities Company Limited is the Sole Global Coordinator to the Share Offer.

An aggregate of 20,000,000 Shares have been initially allocated to the Public Offer for subscription, subject to re-allocation as mentioned below and under the Listing Rules. An aggregate of 180,000,000 Shares are initially offered under the Placing for subscription, subject to re-allocation as mentioned below and under the Listing Rules.

Investors may apply for Public Offer Shares under the Public Offer or apply for or indicate an interest for Placing Shares under the Placing, but may not do both. Our Directors and the Sole Global Coordinator will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

### PRICING AND ALLOCATION

The Offer Price will not be more than HK\$0.45 per Offer Share and is expected to be not less than HK\$0.35 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Applicants under the Public Offer Shares will be required to pay the maximum indicative Offer Price of HK\$0.45 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,636.28 for each board lot of 8,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the applicants, without interest.

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Placing 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 Price Determination Date.

If, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) considers it appropriate, the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer,

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ibi.com.hk](http://www.ibi.com.hk) notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set forth in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

The final Offer Price, 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 Thursday, 13 October 2016 through a variety of channels as described in "How to Apply for Public Offer Shares — 9. Publication of results."

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 6 October 2016, and in any event no later than Wednesday, 12 October 2016.

**If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, 12 October 2016, the Share Offer will not proceed and will lapse.**

### CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Public Offer Shares will be conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue, any Shares to be issued pursuant to the Share Offer and the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (ii) the agreement on the final Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company being entered into on the Price Determination Date; and
- (iii) the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms and conditions of the respective agreements,

in each case, on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (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 the 30th day after the date of this prospectus.

**If any of the above conditions has not been fulfilled or waived prior to the times and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately.** Notice of lapse of the Share Offer will be caused to be published by our Company on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ibi.com.hk](http://www.ibi.com.hk) the next day following such lapse. In such event, all application money will be refunded, **without interest**. The terms on which the application money will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application money received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving bankers or other licenced bank(s) in Hong Kong.

### THE PUBLIC OFFER

We are initially offering 20,000,000 Shares under the Public Offer, at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the re-allocation as mentioned below and under the Listing Rules. The Public Offer is managed by the Sole Global Coordinator and is fully underwritten by the Public Offer Underwriters (subject to the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing to the final Offer Price). Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$0.45 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Public Offer is open to all members of the public in Hong Kong. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any Placing Shares nor has otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected. The Public Offer will be subject to the conditions stated under "— Conditions of the Share Offer".

If the Public Offer is not fully subscribed for, the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) has the authority to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing, in such number as it deems appropriate to satisfy demand under the Placing. If the Placing is not fully subscribed, the Sole Global Coordinator (for itself and on behalf of the Underwriters) has the authority to re-allocate all or any of the unsubscribed Placing Shares originally included in the Placing to the Public Offer.



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The total number of the Public Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

### **Basis of allocation of the Public Offer Shares**

When there is over-subscription, allocation of the Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 100.0% of Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

### **THE PLACING**

We are initially offering 180,000,000 Shares at the Offer Price, representing 90% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of the Placing, subject to re-allocation as mentioned below and under the Listing Rules. Investors subscribing for the Placing Shares are also required to pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. It is expected that the Placing Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors.

All decisions concerning the allocation of the Placing Shares to prospective placees pursuant to the Placing will be made on the basis of, and by reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to purchase further Shares, or hold or sell our Shares, after the Listing Date. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of our Company. In addition, our Company and the Sole Global Coordinator will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

The total number of the Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below and/or any re-allocation of the unsubscribed Public Offer Shares to the Placing as mentioned under “— The Public Offer”.



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

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### **RE-ALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER**

The allocation of Offer Shares between the Public Offer and the Placing is subject to re-allocation on the following basis:

- (i) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 60,000,000 Shares, representing 30.0% of the total number of the Offer Shares available under the Share Offer;
- (ii) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 80,000,000 Shares, representing 40.0% of total number of the Offer Shares available under the Share Offer; and
- (iii) if the number of Shares validly applied for under the Public Offer represents 100 times or more the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 100,000,000 Shares, representing 50.0% of the total number of the Offer Shares available under the Share Offer.

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 Thursday, 13 October 2016.

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Listing Committee grants the listing of, and permission to deal in, our Shares 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 date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC may choose. 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.

### **LISTING DATE**

Assuming that the Share Offer becomes unconditional, it is expected that dealings in our Shares on the Main Board will commence at 9:00 a.m. (Hong Kong time) on Friday, 14 October 2016.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

To apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; 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 Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual member's name. If you are a body corporate, the application must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person through an authorised attorney, our Company, the Sole Sponsor and the Sole Global Coordinator may accept or reject your application at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of our Shares and/or any of our subsidiaries;
- are a Director or chief executive of our Company and/or any of our subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR THE PUBLIC OFFER SHARES

#### Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For the 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 this prospectus during normal business hours from 9:00 a.m. on Thursday, 29 September 2016 until 12:00 noon on Wednesday, 5 October 2016 from:

- any of the following addresses of the Public Offer Underwriters:

**Quam Securities Company Limited**

18/F-19/F, China Building  
29 Queen's Road Central  
Hong Kong

**Ample Orient Capital Limited**

Unit 902 Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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**Bonus Eventus Securities Limited**

Room 1707, 17th Floor, Tower II  
Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

**Brilliant Norton Securities Company Limited**

Suite 804 8/F Jubilee Centre  
46 Gloucester Road  
Wan Chai  
Hong Kong

**China Galaxy International Securities (Hong Kong) Co., Limited**

Units 3501-7 & 3513-14  
35/F, Cosco Tower  
183 Queen's Road Central  
Hong Kong

**Convoy Investment Services Limited**

24C, @Convoy  
169 Electric Road  
North Point  
Hong Kong

**Frontpage Capital Limited**

26/F, Siu On Centre  
188 Lockhart Road  
Wanchai  
Hong Kong

**Opus Capital Limited**

18/F Fung House  
19-20 Connaught Road Central  
Central  
Hong Kong

**Sinomax Securities Limited**

Unit 1601, Far East Finance Centre  
16 Harcourt Road  
Admiralty  
Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon	Mong Kok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mong Kok
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 29 September 2016 until 12:00 noon on Wednesday, 5 October 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — IBI Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times on the following dates:

**Thursday, 29 September 2016 — 9:00 a.m. to 5:00 p.m.**

**Friday, 30 September 2016 — 9:00 a.m. to 5:00 p.m.**

**Monday, 3 October 2016 — 9:00 a.m. to 5:00 p.m.**

**Tuesday, 4 October 2016 — 9:00 a.m. to 5:00 p.m.**

**Wednesday, 5 October 2016 — 9:00 a.m. to 12:00 noon**

The Application Lists will be open from 11:45 a.m. until 12:00 noon on Wednesday, 5 October 2016, the last application day or such later time as described in "— 8. Effect of bad weather on the opening of the Application Lists".

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Sole Global Coordinator (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;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance 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 Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (ix) (if the laws of any place outside Hong Kong apply to your application), agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

and complete an input request form.

You can also collect a 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 Global Coordinator and our Hong Kong Branch Share Registrar.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Sole Global Coordinator 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;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates <sup>(1)</sup>:

**Thursday, 29 September 2016 — 9:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Friday, 30 September 2016 — 8:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Monday, 3 October 2016 — 8:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Tuesday, 4 October 2016 — 8:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Wednesday, 5 October 2016 — 8:00 a.m.** <sup>(1)</sup> **to 12:00 noon**

*Note:*

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 29 September 2016 until 12:00 noon on Wednesday, 5 October 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 5 October 2016, the last application day or such later time as described in “— 8. Effect of bad weather on the opening of the Application Lists”.

### 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 Forms headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, 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.

### WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 5 October 2016.

### 6. 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 Forms marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC 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).*

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 7. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 8,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Share Offer — Pricing and allocation”.

### 8. 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 Wednesday, 5 October 2016. Instead they will open between 9:00 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 Wednesday, 5 October 2016 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 “Expected Timetable”, an announcement will be made in such event.

### 9. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, 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 on Thursday, 13 October 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.ibi.com.hk](http://www.ibi.com.hk).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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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 the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.ibi.com.hk](http://www.ibi.com.hk) by no later than Thursday, 13 October 2016;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 13 October 2016 to 12:00 midnight on Wednesday, 19 October 2016;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 13 October 2016 to Tuesday, 18 October 2016 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 13 October 2016 to Saturday, 15 October 2016 at all the receiving bank’s designated branches listed above in “— 3. Applying for the Public Offer Shares”.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure and Conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 10. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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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 Global Coordinator 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 the Public Offer Shares will be void if the Listing Committee 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 Committee notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- your application is for more than 100.0% of the Public Offer Shares initially offered under the Public Offer.

### 11. 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\$0.45 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Share Offer” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 13 October 2016.

### 12. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong Identity Card/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/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong Identity Card/passport number may invalidate or delay encashment of your refund cheque(s).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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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 Thursday, 13 October 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 14 October 2016 provided that the Share Offer has become unconditional and the right of termination described in "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **(i) *If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 13 October 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address as specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 13 October 2016, by ordinary post and at your own risk.

#### **(ii) *If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 13 October 2016, 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 directly into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 13 October 2016 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to the stock account of your designated CCASS Participant's stock account (other than a 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 expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "— 9. Publication of results". You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 October 2016 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.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 13 October 2016, 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/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allocation of the Public Offer Shares in the manner specified in "— 9. Publication of results" on Thursday, 13 October 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 October 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 13 October 2016. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 13 October 2016.

### 13. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the 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.



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29 September 2016

The Directors  
IBI Group Holdings Limited  
Lego Corporate Finance Limited

Dear Sirs,

We set out below our report on the financial information of IBI Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), including the combined statements of financial position of the Group as at 31 March 2014, 2015 and 2016 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 March 2014, 2015 and 2016 (the “Relevant Periods”) together with a summary of significant accounting policies and other explanatory notes thereon (the “Financial Information”), prepared on the basis of presentation set out in Note 2 to the Financial Information, for inclusion in the prospectus of the Company dated 29 September 2016 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 6 April 2016. Pursuant to a group reorganisation (the “Reorganisation”) as more fully explained in Note 2 to the Financial Information, the Company has since 13 May 2016 become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saved for the Reorganisation.

The Group is a contractor focusing on providing renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau.

As of the date of this report, the particulars of the Company's subsidiaries, all of which are private companies, are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid-up capital	Effective interest held by the Company		Principal activities
				Direct	Indirect	
IBI Corporate Holdings Limited ("IBI Corporate Holdings")	BVI 14 April 2016 Limited liability company	BVI	US\$100	100%	—	Investment holding
IBI Group Limited ("IBI Group")	Hong Kong 9 May 2011 Limited liability company	Hong Kong	HK\$100	—	100%	Investment holding
IBI Limited ("IBI")	Hong Kong 14 April 1997 Limited liability company	Hong Kong	HK\$10,876,544	—	100%	Provision of renovation contracting services for property projects
IBI Projects Limited ("IBI Projects")	Hong Kong 1 April 2005 Limited liability company	Hong Kong	HK\$2	—	100%	Provision of renovation contracting services for property projects
IBI Macau Limited ("IBI Macau")	Macau Special Administrative region 11 April 2005 Limited liability company	Macau Special Administrative Region	MOP25,000	—	100%	Provision of renovation contracting services for property projects
IBI Holdings Limited ("IBI Holdings")	Hong Kong 9 May 2011 Limited liability company	Hong Kong	HK\$100	—	100%	Provision of management services within the Group
IBI Company Storage Limited ("IBI CS")	BVI 14 April 2016 Limited liability company	Hong Kong	US\$100	—	100%	Investment holding
IBI Construction Limited ("IBI Construction")	Hong Kong 11 July 2011 Limited liability company	Hong Kong	HK\$2	—	100%	Dormant

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid-up capital	Effective interest held by the Company		Principal activities
				Direct	Indirect	
IBI Hong Kong Limited ("IBI Hong Kong")	Hong Kong 11 July 2011 Limited liability company	Hong Kong	HK\$2	—	100%	Dormant
IBI Design and Build Limited ("IBI Design & Build")	Hong Kong 11 July 2011 Limited liability company	Hong Kong	HK\$2	—	100%	Dormant
IBI Contracting Limited ("IBI Contracting")	Hong Kong 11 July 2011 Limited liability company	Hong Kong	HK\$2	—	100%	Dormant
IBI Design and Construction Limited ("IBI Design & Construction")	Hong Kong 11 July 2011 Limited liability company	Hong Kong	HK\$2	—	100%	Dormant
IBI Technology Limited ("IBI Technology")	Hong Kong 16 February 2001 Limited liability company	Hong Kong	HK\$2	—	100%	Dormant
IBI Corporate Limited ("IBI Corporate")	Hong Kong 1 April 2005 Limited liability company	Hong Kong	HK\$2	—	100%	Dormant

All companies now comprising the Group have adopted 31 March as their financial year end date.

IBI Construction, IBI Hong Kong, IBI Design & Build, IBI Contracting, IBI Design & Construction, IBI Technology and IBI Corporate are hereafter referred to as the "Other HK Companies".

The statutory financial statements of IBI Group, IBI, IBI Projects and IBI Holdings for the years ended 31 March 2014, 2015 and 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by BDO Limited, certified public accountants.

No audited statutory financial statements of IBI Macau have been prepared since its incorporation date as there is no statutory audit requirement under the regulations of its jurisdiction of incorporation. However, financial statements of IBI Macau for the years ended 31 March 2014, 2015 and 2016 have been prepared in accordance with HKFRSs issued by the HKICPA and were audited by BDO Limited, certified public accountants.

No audited financial statements have been prepared for the Company, IBI Corporate Holdings and IBI CS as they were newly incorporated and have not been involved in any significant transactions other than the Reorganisation described in Note 2 to the Financial Information. Also, no audited financial statements have been prepared for any of the Other HK Companies which are indirect wholly-owned subsidiaries of the Company held by IBI CS under the Reorganisation described in Note 2 to the Financial Information. None of them have undertaken any significant business transactions since incorporation.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with the basis of presentation set out in Note 2 to the Financial Information below and the accounting policies set out in Note 4 to the Financial Information below which conform to HKFRSs issued by the HKICPA. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

## **RESPONSIBILITY**

The directors of the Company are responsible for the contents of the Prospectus including the preparation and true and fair presentation of the Financial Information and the Underlying Financial Statements in accordance with the basis of presentation set out in Note 2 and the accounting policies set out in Note 4 to the Financial Information below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information and the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

## **BASIS OF OPINION**

For the purpose of this report, we have carried out appropriate procedures on the Financial Information as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

## **OPINION IN RESPECT OF THE FINANCIAL INFORMATION**

In our opinion, for the purpose of this report and on the basis of presentation set out in Note 2 and in accordance with the accounting policies set out in Note 4 below, the Financial Information, gives a true and fair view of the financial position of the Group as at 31 March 2014, 2015 and 2016 and of the financial performance and cash flows of the Group for each of the Relevant Periods.



## I. FINANCIAL INFORMATION

## COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	<b>Year ended 31 March</b>		
		<b>2014</b>	<b>2015</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	7	456,831	539,466	661,082
Cost of sales		<u>(421,232)</u>	<u>(492,268)</u>	<u>(607,107)</u>
Gross profit		35,599	47,198	53,975
Other income and gain	8	4	45	367
Administrative and other operating expenses		(17,284)	(20,251)	(20,419)
Finance costs	10	<u>(1,193)</u>	<u>(502)</u>	<u>(190)</u>
<b>Profit before income tax expense</b>	9	17,126	26,490	33,733
Income tax expense	11	<u>(2,552)</u>	<u>(4,107)</u>	<u>(5,464)</u>
<b>Profit for the year</b>		14,574	22,383	28,269
<b>Other comprehensive income</b>				
Item that may be reclassified subsequently to profit or loss:				
Translation differences on translating foreign operations		<u>(14)</u>	<u>(3)</u>	<u>—</u>
<b>Total comprehensive income for the year</b>		<u>14,560</u>	<u>22,380</u>	<u>28,269</u>

## COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	<b>As at 31 March</b>		
		<b>2014</b>	<b>2015</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	15	200	470	374
<b>Current assets</b>				
Amounts due from customers for contract work	16	86,716	50,015	153,852
Trade and other receivables	17	59,145	65,428	79,082
Pledged deposits	18	—	4,522	18,841
Cash and cash equivalents		48,313	82,221	51,594
Total current assets		194,174	202,186	303,369
<b>Current liabilities</b>				
Amounts due to customers for contract work	16	364	578	875
Trade and other payables	19	152,398	143,254	228,368
Amounts due to shareholders	20	24,388	14,388	—
Bank borrowings	21	769	3,626	2,028
Tax payables		1,034	3,009	6,402
Total current liabilities		178,953	164,855	237,673
<b>Net current assets</b>		15,221	37,331	65,696
<b>Total assets less current liabilities</b>		15,421	37,801	66,070
<b>NET ASSETS</b>		<u>15,421</u>	<u>37,801</u>	<u>66,070</u>
<b>Capital and reserves</b>				
Share capital	22	1	1	1
Reserves		15,420	37,800	66,069
<b>TOTAL EQUITY</b>		<u>15,421</u>	<u>37,801</u>	<u>66,070</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Merger reserve	Foreign exchange reserve	Retained profits	Total
	<i>HK\$'000</i> <i>(Note 22)</i>	<i>HK\$'000</i> <i>(Note (i))</i>	<i>HK\$'000</i> <i>(Note (ii))</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 1 April 2013</b>	1	(13,512)	17	20,595	7,101
Profit for the year	—	—	—	14,574	14,574
Exchange differences on translation foreign operations	—	—	(14)	—	(14)
Total comprehensive income for the year	—	—	(14)	14,574	14,560
Dividend declared and paid (Note 13)	—	—	—	(6,240)	(6,240)
<b>At 31 March 2014</b>	1	(13,512)	3	28,929	15,421
Profit for the year	—	—	—	22,383	22,383
Exchange differences on translation foreign operations	—	—	(3)	—	(3)
Total comprehensive income for the year	—	—	(3)	22,383	22,380
<b>At 31 March 2015</b>	1	(13,512)	—	51,312	37,801
Profit and total comprehensive income for the year	—	—	—	28,269	28,269
<b>At 31 March 2016</b>	<u>1</u>	<u>(13,512)</u>	<u>—</u>	<u>79,581</u>	<u>66,070</u>

Notes:

(i) **Merger reserve**

The merger reserve represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

(ii) **Exchange reserve**

It comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

## COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax expense	17,126	26,490	33,733
Adjustments for:			
Depreciation	336	199	252
Interest expenses	1,193	502	190
Gain on deregistration of a subsidiary	—	(40)	—
Interest income	(4)	(5)	(5)
Recovery of impairment loss on trade receivables previously recognised	—	—	(362)
Operating profit before working capital changes	18,651	27,146	33,808
Decrease/(increase) in amounts due from customers for contract work	11,243	36,701	(103,837)
Increase in trade and other receivables	(13,923)	(6,243)	(13,292)
Increase/(decrease) in trade and other payables	28,175	(9,144)	85,114
Increase in amounts due to customers for contract work	364	214	297
Cash generated from operations	44,510	48,674	2,090
Interest paid	(1,193)	(502)	(190)
Income tax paid	(2,460)	(2,132)	(2,071)
<b>Net cash generated from/(used in) operating activities</b>	<b>40,857</b>	<b>46,040</b>	<b>(171)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(101)	(469)	(156)
Increase in pledged deposits	—	(4,522)	(14,319)
Interest received	4	5	5
<b>Net cash used in investing activities</b>	<b>(97)</b>	<b>(4,986)</b>	<b>(14,470)</b>

	<i>Notes</i>	<b>Year ended 31 March</b>		
		<b>2014</b>	<b>2015</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowings		1,800	5,800	3,000
Proceeds of loans from related parties	25(a)	8,000	10,000	—
Repayments of bank borrowings		(1,031)	(2,943)	(4,598)
Repayments of loans from related parties	25(a)	(8,000)	(10,000)	—
Repayment to shareholders		—	(10,000)	(14,388)
Dividend paid	13	(6,240)	—	—
<b>Net cash used in financing activities</b>		<u>(5,471)</u>	<u>(7,143)</u>	<u>(15,986)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		35,289	33,911	(30,627)
<b>Cash and cash equivalents at beginning of year</b>		13,038	48,313	82,221
<b>Effect of foreign exchange at end of year</b>		<u>(14)</u>	<u>(3)</u>	<u>—</u>
<b>Cash and cash equivalents at end of year</b>		<u>48,313</u>	<u>82,221</u>	<u>51,594</u>
<b>Analysis of the balances of cash and cash equivalents</b>				
Cash at banks and in hand		<u>48,313</u>	<u>82,221</u>	<u>51,594</u>

**II. NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempt company with limited liability on 6 April 2016 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands. Its principal place of business is located at 3/F, Bangkok Bank Building, 18 Bonham Strand West, Hong Kong.

The principal activities of the Group are to act as a contractor focusing on providing renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau (the "Listing Business").

**2. REORGANISATION AND BASIS OF PRESENTATION****Reorganisation**

Pursuant to the reorganisation of the companies now comprising the Group to prepare for the listing of the shares of the Company on the Main Board on the Stock Exchange (the "Reorganisation"), the Company became the holding company of its subsidiaries now comprising the Group on 13 May 2016. The relevant steps of the Reorganisation are described below:

- (1) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 April 2016. The initial authorised share capital of the Company was HK\$380,000 divided into 37,999,900 ordinary shares of HK\$0.01 each and 100 B-Shares of HK\$0.01 each. On 14 April 2016, (i) one share was transferred from Elian Nominees (Cayman) Limited, an Independent Third Party, to Brilliant Blue Sky Limited ("Brilliant Blue Sky") at par value; (ii) 647 and 252 fully-paid ordinary shares were allotted and issued to Brilliant Blue Sky and BreadnButter Holdings Limited ("BreadnButter Holdings") respectively at par value; and (iii) 72 and 28 fully-paid B-Shares were allotted and issued at par value to Brilliant Blue Sky and BreadnButter Holdings respectively. The ordinary shares of the Company were held as to 72% and 28% by Brilliant Blue Sky and BreadnButter Holdings respectively, and the B-Shares were held as to 72% and 28% by Brilliant Blue Sky and BreadnButter Holdings respectively upon completion of this step.
- (2) Brilliant Blue Sky was incorporated in the British Virgin Islands ("BVI") on 14 April 2016 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 100 fully-paid shares in Brilliant Blue Sky were allotted and issued to Neil David HOWARD at its incorporation and Brilliant Blue Sky is wholly and beneficially owned by Neil David HOWARD.

BreadnButter Holdings was incorporated in BVI on 14 April 2016 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 100 fully-paid shares in BreadnButter Holdings were allotted and issued to Steven Paul SMITHERS at its incorporation and BreadnButter Holdings is wholly and beneficially owned by Steven Paul SMITHERS.

- (3) On 14 April 2016, IBI Corporate Holdings was incorporated under the laws of BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. As at the date of its incorporation, 100 fully-paid shares were allotted and issued to the Company and IBI Corporate Holdings is wholly and beneficially owned by the Company.
- (4) On 14 April 2016, IBI CS was incorporated under the laws of BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. As at the date of its incorporation, 100 fully-paid shares were allotted and issued to IBI Group. As at the date of this submission, IBI CS is a direct wholly-owned subsidiary of IBI Group.
- (5) In order to group together the Other HK Companies which have been declared dormant as at the date of this submission, IBI Group transferred all issued shares in each of the Other HK Companies (other than IBI Technology and IBI Corporate) and IBI Limited transferred all issued shares in each of IBI Technology and IBI Corporate, to IBI CS at a nominal consideration of HK\$2 in cash for each of the Other HK Companies. The share transfers were completed on 12 May 2016 and each of the Other HK Companies became a direct wholly-owned subsidiary of IBI CS.
- (6) On 12 May 2016, Neil David HOWARD transferred 72 shares in IBI Group and Steven Paul SMITHERS transferred 28 shares in IBI Group to IBI Corporate Holdings at a nominal consideration of HK\$72 and HK\$28 in cash respectively. The share transfers were completed on 13 May 2016 and IBI Group became a direct wholly-owned subsidiary of IBI Corporate Holdings.
- (7) In order to encourage long term commitment to the Group, each of Brilliant Blue Sky and BreadnButter Holdings transferred B-Shares in the Company as detailed below.

<u>Transferor</u>	<u>Transferee</u>	<u>No. of B-Shares transferred</u>	<u>Consideration</u>
BreadnButter Holdings	Lau Kwan, John ("LAU")	28	HK\$5,572,000
Brilliant Blue Sky	LAU	12	HK\$2,388,000
Brilliant Blue Sky	Lui Siu Hong ("LUI")	25	HK\$4,975,000
Brilliant Blue Sky	Kong Wai Fung ("KONG")	20	HK\$3,980,000
Brilliant Blue Sky	Chu Wai Che, Rosanna ("CHU")	15	HK\$2,985,000

The consideration was determined with reference to the estimated fair value of 100% equity interest of IBI Group as at 31 March 2016 based on a valuation conducted by an independent valuer. The share transfers were completed on 17 May 2016. Each of Brilliant Blue Sky, BreadnButter Holdings and B-Shareholders entered into a shareholders' agreement on 17 May 2016 ("Shareholders' Agreement") governing their rights in the Company before the Listing. Pursuant to the Shareholders' Agreement, holders of the B-Shares have the right to receive dividend but they do not have the right to receive notice of, attend at and vote as a Shareholder at the general meeting of the Company.

Following the completion of the aforesaid transfers, the ordinary shares are owned as to 72% and 28% by Brilliant Blue Sky and BreadnButter Holdings respectively and the B-Shares are owned as to 40%, 25%, 20% and 15% by LAU, LUI, KONG, CHU, the members of senior management of the Group, respectively.

- (8) Pursuant to the Shareholders' Agreement, the B-Shares held by the B-Shareholders were converted to the ordinary shares of the Company on a one for one basis on 19 September 2016.

Following the conversion of all the B-Shares, the authorised and issued share capital of the Company were diminished by the amount of the B-Shares cancelled and the authorised share capital has been increased to HK\$100,000,000 with 10,000,000,000 ordinary shares of HK\$0.01 each pursuant to the written resolutions of the shareholders of the Company dated 20 September 2016.

- (9) Conditional upon the share premium account of the Company being credited as a result of the Share Offer, the Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and applying such sum in paying up in full at nominal value a total of 599,999,000 ordinary shares for allotment and issue to Brilliant Blue Sky, BreadnButter Holdings and each of the B-Shareholders, in proportion to their respective existing shareholding immediately prior to the completion of the Share Offer. As a result, Brilliant Blue Sky, BreadnButter Holdings, Lau, Lui, Kong, Chu and the public shareholder will hold approximately 48.60%, 18.90%, 3.00%, 1.88%, 1.50%, 1.12% and 25% respectively of the enlarged share capital of the Company immediately upon the completion of the Share Offer and Capitalisation Issue, assuming that any options which may be granted under the Share Option Scheme are not exercised.

#### **Basis of presentation**

Pursuant to the Reorganisation and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries immediately after the Reorganisation. As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any change of economic substances, the Financial Information has been presented as a continuance of the existing group using the merger basis of accounting.

The Company has not been involved in any other business prior to the Reorganisation and its operations do not meet the definition of business. The Reorganisation is merely a reorganisation of the Listing Business and does not result in any changes in business substance. Accordingly, the Financial Information of the companies now comprising the Group is presented using the carrying value of the Listing Business for all periods presented.



No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

The combined statements of profit or loss and comprehensive income and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter.

The combined statements of financial position of the Group as at 31 March 2014, 2015 and 2016 have been prepared to present the state of the affairs of the Group as if the current group structure had been in existence as at the respective dates.

### 3. NEW OR REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or revised HKFRSs, potentially relevant to the Group, have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the Financial Information.

HKFRSs (Amendments)	Annual Improvements 2012 — 2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>2</sup>
HKFRS 9 (2014)	Financial Instruments <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 16	Leases <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

**HKFRS (Amendments) — Annual Improvements 2012—2014 Cycle**

The amendments address certain issues in the 2012-2014 reporting cycle, primarily with a view to removing inconsistencies and clarifying wordings. They include changes to the following standards which are relevant to the Group's operations:

Amendment to HKFRS 7	Financial Instruments: Disclosures
Amendment to HKAS 19	Employee Benefits
Amendment to HKAS 34	Interim Financial Reporting

The directors of the Company anticipate that the application of these amendments will not have a material impact on the financial position or performance of the Group.

**Amendments to HKAS 1 — Disclosure Initiative**

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The amendments will not affect the recognition and measurement of financial statement items and therefore will not have any impact on the financial position or performance of the Group.

**Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments to HKAS 12 clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

As the Group does not have debt instruments measured at fair value, the amendments will not have any impact on the financial position or performance of the Group.

**Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

As the Group does not use the revenue-based depreciation method for its property, plant and equipment, the amendments will not have any impact on the financial position or performance of the Group.

#### **Amendments to HKAS 27 — Equity Method in Separate Financial Statements**

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

As the Company intends to continue to account for its investments in subsidiaries at cost, the amendments will not have any impact on the financial position or performance of the Company.

#### **Amendments to HKAS 7 — Disclosure Initiative**

The amendments to HKAS 7 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments will only affect financial statement disclosures and will not have any impact on the financial position or performance of the Group.

#### **HKFRS 9 (2014) — Financial Instruments**

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that the application of HKFRS 9 may impact on amounts reported in respect of the Group's financial assets and financial liabilities. In particular, the new impairment requirements may result in earlier recognition of credit losses of the Group's trade and other receivables, if any. The directors are in the process of assessing the quantitative effect of these requirements, and accordingly it is not practicable to provide a reasonable estimate of the quantitative effect of HKFRS 9 until the assessment has been completed.

### **HKFRS 15 — Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The directors of the Company anticipate that the application of HKFRS 15 may impact on the Group's reported financial performance, financial position and disclosures due to the application of the new revenue recognition framework. The directors of the Company are in the process of assessing the quantitative effect of these requirements, and accordingly it is not practicable to provide a reasonable estimate of the quantitative effect of HKFRS 15 until the assessment has been completed.

### **HKFRS 16 — Leases**

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use

the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 23 below.

As set out in Note 23 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and warehouse as at 31 March 2016 amounted to approximately HK\$1,115,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Company's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Company's consolidated statement of cash flows.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Basis of preparation**

The Financial Information has been prepared in accordance with the basis of presentation set out in Note 2 and the significant accounting policies set out below, which conform to HKFRSs which in collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Main Board Listing Rules.

All HKFRSs effective for the accounting period commencing from 1 April 2015, together with the relevant transition all provisions have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

At the date of this report, certain new or revised HKFRSs have been issued by the HKICPA but are not yet effective and have not been early adopted by the Group, details of which are set out in Note 3.

The Financial Information has been prepared under the historical cost basis.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and its major subsidiaries.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

**(b) Basis of combination and subsidiaries**

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights to, variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

**(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Furniture and fixtures	5 years
Office equipment and fittings	3 - 5 years or over the leases terms, whichever the shorter

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (Note 4(m)).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) **Financial instruments**

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measure at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

*Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the

difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) ***Financial liabilities***

The Group's financial liabilities include trade and other payables, bank borrowings and amounts due to shareholders, are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) ***Equity instruments***

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) ***Derecognition***

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligations specified in the relevant contract is discharged, cancelled or expires.

(e) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, high liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.



For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(f) **Operating leases**

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) **Income taxes**

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or deductible for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(h) **Foreign currency**

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On combination, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(i) **Employee benefits**

(i) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iii) *Other employee entitlements*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave are not recognised until the time of leave.

**(j) Revenue recognition**

Revenue from construction contracts is recognised in accordance with the stage of completion which is determined by reference to the cost incurred up to the date of statement of financial position as a percentage of total estimated costs. Foreseeable losses from contracts are fully provided for when they are identified.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

**(k) Construction contracts**

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as amounts due from customers for contract work.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as amounts due to customers for contract work.

Under the stage completion method, the percentage of contract margin to be recognised as profit at end of the reporting period is determined as the ratio of contract costs incurred at end of reporting period to the expected final contract costs.

Retention monies, represented amounts of progress billings which are receivables from customers or payable to subcontractors when conditions specified in the contracts undertaken are satisfied, and are included in the combined statements of financial position under "Trade and other receivables" and "Trade and other payables" respectively.

**(l) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(m) Impairment of assets (other than financial assets)**

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset, 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.

**(n) Borrowings costs**

Borrowings costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowings costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(o) Related parties**

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

## **5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Key sources of estimation uncertainty**

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have significant risks of resulting in material adjustments to the carrying amounts of assets and liabilities within next financial year are as follows:

**(i) *Recognition of contract revenue***

The Group recognises its contract revenue according to the percentage of completion of the individual contracts. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each contract as the contract progresses. Budgeted contract income is determined in accordance with the terms set out in the relevant contracts. Budgeted contract costs which mainly comprise subcontracting charges and cost of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews on the management budgets by comparing the budgeted amounts to the actual amounts incurred and the value of work performed as certified by quantity surveyors where applicable.

**(ii) *Impairment of receivables***

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables and on the specific circumstances for each account. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial condition of these customers was to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.

**6. SEGMENT REPORTING**

The executive directors of the Company, who are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

Management regularly reviews the operating results from a project-based perspective. The reportable operating segment derives its revenue primarily from provision of renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

(a) **Geographical information**

The Group operates in two principal geographical areas — Hong Kong and Macau.

The following table provides an analysis of the Group's revenue from external customers:

**Revenue from external customers**

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	410,287	418,911	609,751
Macau	<u>46,544</u>	<u>120,555</u>	<u>51,331</u>
	<u><u>456,831</u></u>	<u><u>539,466</u></u>	<u><u>661,082</u></u>

The following table provides an analysis of the Group's non-current assets ("Specified non-current assets"):

**Specified non-current assets**

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	200	423	334
Macau	<u>—</u>	<u>47</u>	<u>40</u>
	<u><u>200</u></u>	<u><u>470</u></u>	<u><u>374</u></u>

## (b) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Customer I	160,242	100,683	185,970
Customer II	72,226	N/A	N/A
Customer III	N/A	153,988	N/A
Customer IV	N/A	80,800	N/A
Customer V	N/A	86,140	N/A
Customer VI	N/A	N/A	163,195
Customer VII	N/A	N/A	126,224

## 7. REVENUE

Revenue, which is also the Group's turnover, represents construction work income during the Relevant Periods.

## 8. OTHER INCOME AND GAIN

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Bank interest income	4	5	5
Gain on deregistration of a subsidiary	—	40	—
Recovery of impairment loss on trade receivables previously recognised	—	—	362
	<u>4</u>	<u>45</u>	<u>367</u>



**9. PROFIT BEFORE INCOME TAX EXPENSE**

Profit before income tax expense is arrived after charging/(crediting):

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	281	425	367
Depreciation	336	199	252
Staff costs including directors' emoluments :			
— Salaries and allowances	41,875	48,141	48,109
— Contributions on defined contribution retirement plans	<u>867</u>	<u>992</u>	<u>1,148</u>
	42,742	49,133	49,257
Minimum lease payments under operating leases	1,385	1,585	1,703
Foreign exchange gain, net	(12)	—	—
Listing expenses	<u>—</u>	<u>—</u>	<u>573</u>

**10. FINANCE COSTS**

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest on bank borrowings wholly repayable within five years	93	184	190
Other loan interest wholly repayable within five years	<u>1,100</u>	<u>318</u>	<u>—</u>
	<u>1,193</u>	<u>502</u>	<u>190</u>

## 11. INCOME TAX EXPENSE

The amount of income tax expense in the combined statement of profit or loss and other comprehensive income represents:

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong Profits Tax			
— provision for the year	2,019	2,995	5,213
— over provision in respect of prior years	<u>(16)</u>	<u>(20)</u>	<u>(38)</u>
	<u>2,003</u>	<u>2,975</u>	<u>5,175</u>
Current tax — overseas			
— tax for the year	549	980	289
— under provision in respect of prior years	<u>—</u>	<u>152</u>	<u>—</u>
	<u>549</u>	<u>1,132</u>	<u>289</u>
	<u><u>2,552</u></u>	<u><u>4,107</u></u>	<u><u>5,464</u></u>

Hong Kong Profits tax is calculated at 16.5% (2015: 16.5%; 2014: 16.5%) on the estimated assessable profits for the year.

Pursuant to the relevant laws and regulations in Macau and with the short-term tax incentives granted by the Macau Government, the Group's subsidiary in Macau was subject to complementary tax at the rate of 12% for taxable profits over the tax thresholds of MOP600,000 for the tax years ended 31 December 2015 and 2014 and over the tax threshold of MOP300,000 for the tax year ended 31 December 2013. The Macau Government has not yet announced the tax threshold for the tax year ending 31 December 2016.

Taking account of the above short-term tax incentive, the directors estimate that the Group's subsidiary in Macau will pay or paid complementary tax at the effective rates of 10.3%, 11.0% and 7.42% for the years ended 31 March 2016, 2015 and 2014 respectively.

The income tax for the Relevant Periods can be reconciled to the profit before income tax expense in the combined statements of comprehensive income as follows:

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax expense	<u>17,126</u>	<u>26,490</u>	<u>33,733</u>
Tax charge calculated at Hong Kong Profits tax rate of 16.5%	2,826	4,371	5,566
Tax effect of revenue not taxable for tax purposes	(3)	(9)	(1)
Tax effect of expenses not deductible for tax purposes	222	125	132
Utilisation of previously unrecognised tax losses	(183)	—	—
Effect of different tax rate of the subsidiary operating in Macau	(324)	(466)	(204)
(Over)/under provision in respect of prior years	(16)	132	(38)
Tax effect of tax loss and other temporary differences not recognised	<u>30</u>	<u>(46)</u>	<u>9</u>
Income tax expense	<u>2,552</u>	<u>4,107</u>	<u>5,464</u>

The Group did not have any unused tax losses available for offset against future profits during the Relevant Periods.

No deferred tax has been provided in the Financial Information as there were no material temporary differences during the Relevant Periods.

## 12. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The emoluments of each of the directors for the Relevant Periods are set out below:

	<b>Fees</b>	<b>Salaries, allowances and other benefits</b>	<b>Discretionary bonuses</b>	<b>Contribution on defined contribution retirement plans</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 March 2014</b>					
<i>Executive directors</i>					
Neil David HOWARD	—	1,950	1,000	12	2,962
Steven Paul SMITHERS	—	1,770	1,000	15	2,785
	<u>—</u>	<u>3,720</u>	<u>2,000</u>	<u>27</u>	<u>5,747</u>

	<b>Fees</b>	<b>Salaries, allowances and other benefits</b>	<b>Discretionary bonuses</b>	<b>Contribution on defined contribution retirement plans</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 March 2015</b>					
<i>Executive directors</i>					
Neil David HOWARD	—	2,066	1,900	17	3,983
Steven Paul SMITHERS	—	1,643	1,900	18	3,561
	<u>—</u>	<u>3,709</u>	<u>3,800</u>	<u>35</u>	<u>7,544</u>

	<b>Fees</b>	<b>Salaries, allowances and other benefits</b>	<b>Discretionary bonuses</b>	<b>Contribution on defined contribution retirement plans</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 March 2016</b>					
<i>Executive directors</i>					
Neil David HOWARD	—	2,147	750	18	2,915
Steven Paul SMITHERS	—	1,978	750	18	2,746
	—	4,125	1,500	36	5,661

Lap Shek Eddie WONG, Richard Gareth WILLIAMS and Robert Peter ANDREWS were appointed as the independent non-executive directors on 20 September 2016. No emoluments were paid or payable to the independent non-executive directors during each of the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

**(b) Five highest paid individuals**

The five highest paid individuals included two directors for each of the Relevant Periods. The emoluments of the remaining three non-director highest paid individuals for each of the Relevant Periods are as follows:

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	3,981	4,590	4,147
Contributions on defined contribution retirement plans	30	35	54
	4,011	4,625	4,201

The number of non-director highest paid individuals whose emoluments fell within the following bands for each of the Relevant Periods is as follows:

	Year ended 31 March		
	2014	2015	2016
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
HK\$Nil — HK\$1,000,000	—	—	—
HK\$1,000,001 — HK\$1,500,000	3	2	2
HK\$1,500,001 — HK\$2,000,000	—	1	1

The remaining highest paid individuals are directors of the Company whose emoluments is reflected in the analysis presented in Note 12(a) above.

(c) **Senior management's emoluments**

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	Year ended 31 March		
	2014	2015	2016
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
HK\$Nil — HK\$1,000,000	1	—	—
HK\$1,000,001 — HK\$1,500,000	3	3	3
HK\$1,500,001 — HK\$2,000,000	—	1	1

**13. DIVIDEND**

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend declared and paid	6,240	—	—

No dividend has been paid or declared by the Company since its incorporation. For the purpose of this Financial Information, the dividend for the year ended 31 March 2014 represented an interim dividend declared and paid by a group entity to its then shareholders.

On 11 June 2016, the directors of the Company declared a dividend of HK\$20 million. The dividend was declared subsequent to 31 March 2016 and accordingly has not been recognised as a liability as at that date in the Financial Information.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the Financial Information.

#### 14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Reorganisation and preparation of the results for the Relevant Periods on a combined basis as set out in Note 2 above.

#### 15. PROPERTY, PLANT AND EQUIPMENT

	<b>Furniture and fixtures</b>	<b>Office equipment and fittings</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>			
At 1 April 2013	—	2,610	2,610
Additions	—	101	101
At 31 March 2014	—	2,711	2,711
Additions	11	458	469
At 31 March 2015	11	3,169	3,180
Additions	—	156	156
At 31 March 2016	11	3,325	3,336

	<b>Furniture and fixtures</b>	<b>Office equipment and fittings</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Accumulated depreciation</b>			
At 1 April 2013	—	2,175	2,175
Charge for the year	—	336	336
At 31 March 2014	—	2,511	2,511
Charge for the year	1	198	199
At 31 March 2015	1	2,709	2,710
Charge for the year	2	250	252
At 31 March 2016	3	2,959	2,962
<b>Net carrying value</b>			
At 31 March 2016	8	366	374
At 31 March 2015	10	460	470
At 31 March 2014	—	200	200



## 16. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

The following table sets out details of the amounts due from/(to) customers for contract work as at the end of year of the relevant periods:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs incurred to date plus recognised profits	1,091,495	1,147,641	952,478
Less: Progress billings to date	<u>(1,005,143)</u>	<u>(1,098,204)</u>	<u>(799,501)</u>
	<u>86,352</u>	<u>49,437</u>	<u>152,977</u>
Amounts due from customers	86,716	50,015	153,852
Amounts due to customers	<u>(364)</u>	<u>(578)</u>	<u>(875)</u>
	<u>86,352</u>	<u>49,437</u>	<u>152,977</u>

## 17. TRADE AND OTHER RECEIVABLES

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Billings receivables (Notes (i) and (ii))	20,768	25,737	40,064
Less: Allowances for doubtful debts (Note (iii))	<u>(362)</u>	<u>(362)</u>	<u>—</u>
Trade receivables	<u>20,406</u>	<u>25,375</u>	<u>40,064</u>
Retention receivables	37,972	39,558	35,304
Deposits	408	425	468
Prepayments	<u>359</u>	<u>70</u>	<u>3,246</u>
	<u>59,145</u>	<u>65,428</u>	<u>79,082</u>

*Notes:*

- (i) The credit period granted to customers on final and progress billings is generally between 14 and 60 days from the invoice date.
- (ii) The age analysis of trade receivables (net of allowances) at end of each of the Relevant Periods based on the invoice date is as follows:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	9,972	17,601	38,350
31-60 days	8,466	7,051	138
61-90 days	—	723	1,318
Over 90 days	1,968	—	258
	<u>20,406</u>	<u>25,375</u>	<u>40,064</u>

The age analysis of trade receivables (net of allowances) at end of each of the Relevant Periods that are not individually nor collectively considered to be impaired is as follows:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	9,977	21,179	38,350
Less than 1 month past due	8,461	3,473	—
1 to 3 months past due	1,968	723	1,456
Over 3 months past due	—	—	258
	<u>10,429</u>	<u>4,196</u>	<u>1,714</u>
	<u>20,406</u>	<u>25,375</u>	<u>40,064</u>

Trade receivables that were neither past due nor impaired primarily relate to the Group's main customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(iii) The movements in provision for impairment of trade receivables are as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
At beginning of year	362	362	362
Recovery of impairment loss previously recognised	—	—	(362)
At end of year	<u>362</u>	<u>362</u>	<u>—</u>

As at 31 March 2016, no trade receivables of the Group were individually determined to be impaired (2015: HK\$0.4 million; 2014: HK\$0.4 million).

The Group recognises impairment loss on individual assessment based on the accounting policy stated in Note 4(d)(ii).

## 18. PLEDGED DEPOSITS

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Pledged deposits with a bank	—	3,639	10,821
Pledged deposits with an insurer	—	883	8,020
	<u>—</u>	<u>4,522</u>	<u>18,841</u>

Pledged deposits are placed with a bank or an insurer as securities for the performance bonds issued by the bank and insurer to certain customers on their projects. The pledged deposits will be released when the bank or insurer are satisfied that no claims will arise from the projects under the performance bonds.

## 19. TRADE AND OTHER PAYABLES

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade payables	22,795	24,614	26,612
Accruals for costs of contract work	90,979	78,131	163,328
Retention payables	32,632	32,642	32,195
Other payables and accruals	5,992	7,867	6,233
	<u>152,398</u>	<u>143,254</u>	<u>228,368</u>

Note:

The ageing analysis of trade payables, based on invoice date, as at end of each the Relevant Periods is as follows:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 -30 days	17,642	16,652	21,044
31 — 60 days	1,571	3,536	4,025
61 — 90 days	1,919	1,235	1,147
Over 90 days	1,663	3,191	396
	<u>22,795</u>	<u>24,614</u>	<u>26,612</u>

The credit period granted by suppliers is generally between 14 and 60 days from the invoice date and subcontractors is generally within 14 days after receipt of payment from customers.

## 20. AMOUNTS DUE TO SHAREHOLDERS

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Kenneth William HAUGHTON	6,097	—	—
Neil David HOWARD	14,633	10,359	—
Steven Paul SMITHERS	3,658	4,029	—
	<u>24,388</u>	<u>14,388</u>	<u>—</u>

The balances were unsecured, interest free and had been fully repaid. Kenneth William HAUGHTON ceased to be a shareholder of IBI Group on 18 February 2015.

## 21. BANK BORROWINGS

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>			
<i>Unsecured and interest-bearing bank borrowings</i>			
— Bank borrowings due for repayment on demand or within one year (Notes (i), (ii) and (iii))	<u>769</u>	<u>3,626</u>	<u>2,028</u>

*Notes:*

- (i) As at 31 March 2014, the bank borrowing of HK\$0.8 million bore interest at a flat rate at 4.7% per annum and was guaranteed by Neil David HOWARD.
- (ii) As at 31 March 2015, the bank borrowings comprised a borrowing of HK\$0.9 million which bore interest at a flat rate at 4.6% per annum and was guaranteed by Neil David HOWARD and a borrowing of HK\$2.7 million which bore interest at a 1% per annum over Prime Rate and was guaranteed by a group company and both Neil David HOWARD and Steven Paul SMITHERS.
- (iii) As at 31 March 2016, the bank borrowings comprised a borrowing of HK\$1.2 million which bore interest at a flat rate at 4.5% per annum and was guaranteed by Neil David HOWARD and a borrowing of HK\$0.8 million which bore interest at a flat rate at 4.8% per annum and was guaranteed by Neil David HOWARD.

**22. SHARE CAPITAL**

The movements of the Company's authorised and issued share capital are set in Note 2.

For the purpose of this Financial Information, share capital in the combined statements of financial position as at end of each of the Relevant Periods represented the issued share capital of IBI Group Limited.

**23. OPERATING LEASE COMMITMENTS****Operating leases**

Operating lease payments represent rentals payable by the Group for its office premises and warehouse. Leases are negotiated for terms between one to three years at fixed rentals. The total future minimum lease payments are due as follows:-

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,222	1,398	1,115
Later than one year and not later than five years	1,804	795	—
	<u>3,026</u>	<u>2,193</u>	<u>1,115</u>

**24. BANKING FACILITIES**

As at 31 March 2014, 2015 and 2016, bank facilities in the total of HK\$8.8 million, HK\$20.7 million and HK\$41.7 million respectively were granted to the Group and secured by the following:-

- (a) a fixed and floating charge on trade receivables of a group company;
- (b) guarantees issued by a group company;
- (c) pledged bank deposits; and
- (d) personal guarantees executed by Neil David HOWARD and Steven Paul SMITHERS.

As at 31 March 2014, 2015 and 2016, the Group had unutilised banking facilities of HK\$8 million, HK\$8 million and HK\$14.2 million respectively.

**25. RELATED PARTY TRANSACTIONS**

Saved as disclosed elsewhere in this Financial Information, the Group had the following significant transactions with related parties.

- (a) During the Relevant Periods, the Group entered into the following transactions with its related parties:

	<b>Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses paid to:			
HFT Company Limited — a related company (Note (i))	825	—	—
Steven Paul SMITHERS — director (Notes (ii) and (iii))	275	95	—
Neil David HOWARD — director (Note (iii))	—	223	—
	<u>1,100</u>	<u>318</u>	<u>—</u>

*Notes:*

- (i) During the year ended 31 March 2014, the Group obtained an unsecured short term loan of HK\$6 million for four months from HFT Company Limited, a related company in which Neil David HOWARD is interested. The loan and the agreed amount of interest of HK\$825,000 were fully repaid during that year.
- (ii) During the year ended 31 March 2014, the Group obtained an unsecured short term loan of HK\$2 million for four months from Steven Paul SMITHERS. The loan and the agreed amount of interest of HK\$275,000 were fully paid during that year.

- (iii) On 15 September 2014, the Group issued two convertible notes (the "Notes") with principal amounts of HK\$7 million and HK\$3 million to Neil David HOWARD and Steven Paul SMITHERS respectively. The Notes had a maturity period of 6 months and bore interest at 8% per annum. The principal amounts and the interest thereon of HK\$95,000 and HK\$223,000 respectively, were fully repaid to Neil David HOWARD and Steven Paul SMITHERS in early February 2015. The holders of the Notes had the right to convert into shares in IBI Group at the rate of HK\$220,000 per share. Neither of the holders had exercised the conversion option.

The directors were of the view that Notes carried market rate of interest and as the maturity period was only six months, the liability portion of the Notes would approximate the principal amounts such that the equity portion of the Notes, if any, would be insignificant.

**(b) Compensation of key management personnel**

Emoluments of key management personnel, who are the executive directors of the Company, during the Relevant Periods was disclosed in Note 12.

**26. GUARANTEES**

The Group provided guarantees in respect of the performance bonds issued by a bank or an insurer in favour of the customers of certain construction contracts. Details of these guarantees as of the end of each of the Relevant Periods were as follows:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate value of the performance bonds issued in favour of customers	<u>—</u>	<u>11,706</u>	<u>44,119</u>

The directors are of the opinion that it is not probable that the bank or insurer will claim against the Group for losses under the guarantees as it is unlikely that the Group will be unable to fulfil the performance requirements of the relevant contracts. The performance bonds are secured by the pledged deposits of the Group and certain performance bonds are also secured by personal guarantees of the directors and corporate guarantees of certain group companies. Accordingly, no provision for the Group's obligations under the guarantees has been made as at the end of each of the Relevant Periods.

**27. CAPITAL COMMITMENTS**

As at 31 March 2014, 2015 and 2016, the Group did not have any capital commitment.

**28. CAPITAL MANAGEMENT**

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debts to equity. Total debts include bank borrowings and amounts due to shareholders. Equity represents total equity of the Group.

The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sell assets to reduce debts.

The gearing ratios as at the end of each of the Relevant Periods were as follows:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings, unsecured	769	3,626	2,028
Amounts due to shareholders	<u>24,388</u>	<u>14,388</u>	<u>—</u>
Total debts	<u><u>25,157</u></u>	<u><u>18,014</u></u>	<u><u>2,028</u></u>
Total equity	<u><u>15,421</u></u>	<u><u>37,801</u></u>	<u><u>66,070</u></u>
Gearing ratio	<u><u>163%</u></u>	<u><u>48%</u></u>	<u><u>3%</u></u>



**29. FINANCIAL RISK MANAGEMENT**

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, interest rate risk, liquidity risk and currency risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

**(a) Credit risk**

The Group's principal financial assets are bank balances and trade and other receivables. The Group's bank balances are placed with a reputable bank. Given its high credit standing, the directors do not expect any credit risk exposure for the Group's bank balances.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts included in trade and other receivables in the combined statements of financial position are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, evidenced a reduction in the recoverability of the cash flows. The quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 17.

**(b) Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rate and at fixed rate expose the Group to cash flow interest rate risk and fair value interest risk respectively.

All of the Group's bank borrowings as at 31 March 2014, 2015 and 2016 bore interest at floating or fixed rates. Details of bank borrowings are disclosed in Note 21.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

*Sensitivity analysis*

The following sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in interest rate on its floating-rate bank borrowings with all other variables held constant at the end of each of the Relevant Periods (in practice, the results may differ from the sensitivity analysis below and the difference would not be material):

	<b>Increase/(decrease) in profit for the year and retained profits Year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Changes in interest rate</b>			
+1%	—	(12)	—
-1%	—	12	—

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the Relevant Periods resembles that of the corresponding financial years. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

**(c) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

All the Group's financial liabilities at end of each of the Relevant Periods were due within one year or on demand.

**(d) Currency risk**

As the Group's monetary assets and transactions are principally denominated in Hong Kong dollars ("HKD"), it does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

**30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY**

The following table shows the carrying amounts of financial assets and liabilities:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>			
<i>Loan and receivables at amortised costs</i>			
Trade and other receivables	58,786	65,358	75,836
Pledged deposits	—	4,522	18,841
Cash and cash equivalents	<u>48,313</u>	<u>82,221</u>	<u>51,594</u>
<b>Financial liabilities</b>			
<i>Financial liabilities at amortised costs</i>			
Trade and other payables	151,811	142,726	228,228
Bank borrowings	<u>769</u>	<u>3,626</u>	<u>2,028</u>

The above financial instruments are not measured at fair value, due to their short term nature, the carrying values approximate their fair values.

**31. EVENTS AFTER THE REPORTING PERIOD**

The following significant events took place subsequent to 31 March 2016:

- (a) On 11 June 2016, the directors of the Company declared a dividend of HK\$20 million which was paid on 23 September 2016.
- (b) The Reorganisation and increase in authorised share capital as set out in Note 2 were completed on 20 September 2016.
- (c) On 20 September 2016, written resolutions were passed to effect the transactions as set out in the sub-paragraph headed “Written resolutions of our Shareholders passed on 20 September 2016” in Appendix IV — Statutory and General Information of the Prospectus. These resolutions include:
  - (i) Following the conversion of all B-Shares and immediately before the Share Offer and the Capitalisation Issue, the authorised share capital of the Company was diminished by the amount of B-Shares cancelled and then increased to HK\$100,000,000 with 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,100 Ordinary Shares of HK\$0.01 each to rank pari passu in all respects with the existing Shares.

- (ii) A share option scheme of the Company was conditionally approved and adopted. The principal terms of “Share Option Scheme” are set out in Appendix IV — Statutory and General Information of the Prospectus.

Saved as disclosed above, no other significant events have taken place subsequent to 31 March 2016.

### **32. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 March 2016.

Yours faithfully,

**BDO Limited**

*Certified Public Accountants*

Choi Man On

Practising Certificate number: P02410

Hong Kong

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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*The information set forth in this appendix does not form part of the Accountant’s Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant 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 Accountant’s Report set forth in Appendix I to this prospectus.*

**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP**

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets of the Group attributable to the owners of the Company as if it had taken place on 31 March 2016. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company had the Share Offer been completed on 31 March 2016 or at any future dates.

	<b>Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016</b>	<b>Estimated net proceeds from the Share Offer</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company</b>	<b>Unaudited pro forma adjusted combined net tangible assets per Share</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Offer Price of HK\$0.35 per Offer Share	<u>66,070</u>	<u>47,105</u>	<u>113,175</u>	<u>0.14</u>
Based on the Offer Price of HK\$0.45 per Offer Share	<u>66,070</u>	<u>66,505</u>	<u>132,575</u>	<u>0.17</u>

*Notes:*

- The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 are based on the audited combined net assets of the Group attributable to owners of the Company as at 31 March 2016 of HK\$66,070,000 as shown in the Accountant’s Report set out in Appendix I to this prospectus.

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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2. The estimated net proceeds from the Share Offer are based on the total of 200,000,000 Offer Shares, at the minimum and maximum indicative Offer Price of HK\$0.35 per Offer Share and HK\$0.45 per Offer Share respectively, after deduction of the unaccrued underwriting fees and related expenses payable and borne by the Company which have not been reflected in the audited combined net tangible assets of the Group as at 31 March 2016 and listing expenses included as prepayments as at 31 March 2016. No account has been taken of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Share Offer and Capitalisation Issue but takes no account of any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchases of Shares referred to in Appendix IV to this prospectus.
4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company do not take into account the dividend of HK\$20,000,000 declared by the Company to its then equity owners on 11 June 2016 and paid on 23 September 2016.

Had the dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets per Share would have been HK\$0.12 (assuming an Offer price of HK\$0.35 per Offer Share) and HK\$0.14 (assuming an Offer price of HK\$0.45 per Offer Share), respectively.

5. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2016.

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### (B) ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report, prepared for inclusion in this prospectus, received from the reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information.*



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### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

29 September 2016

The Board of Directors of  
IBI Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of IBI 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 of the Group as at 31 March 2016, and related notes as set out in Part A of Appendix II on pages II-1 to II-2 of the prospectus dated 29 September 2016 (the "Prospectus") issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Notes 1 to 5 in Part A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Public Offer and the Placing of the Company on the Group's financial position as at 31 March 2016 as if the Public Offer and the Placing had taken place at 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2016, on which an accountant's report has been published.

#### **Directors' responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guidance 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant’s responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the 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 the transaction as at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the



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## **APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustment give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of that adjustment to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regards to the reporting accountant's understanding of the nature of the Group, the 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 adjustment is appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

### **BDO LIMITED**

*Certified Public Accountants*

Choi Man On

Practising Certificate Number: P02410

Hong Kong

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 April 2016 under the Companies Law (Revised) of the Cayman Islands. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association and its Amended and Restated Articles of Association.

### 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 20 September 2016. 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 Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### (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; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

### (iv) *Transfer of shares*

Subject to the Cayman Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as 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.

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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(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.

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### (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 lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

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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 Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

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The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(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 Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(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 Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.



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(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.

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(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.

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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.

### (c) 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.

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### (d) 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.

### (e) 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 Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

#### (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.

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At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *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

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days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the 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.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

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(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.



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Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

### **(g) 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



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(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.

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### (h) 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.

### (i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

### (j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

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### (k) **Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

### 3. **CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 6 April 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### (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 Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (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 Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and

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- (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 Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

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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 Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(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.

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### (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

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(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 24 May 2016.

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.

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### (o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

### (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.



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For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### (q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### (r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### (s) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 6 April 2016. We have established a principal place of business in Hong Kong at 3/F, Bangkok Bank Building, 18 Bonham Strand West, Hong Kong and have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the same address on 10 June 2016. Mr. Howard and Mr. Smithers have been appointed as our authorised representatives for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and operation and our constitutive documents which comprise Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

On the date of incorporation, our authorised share capital was HK\$380,000 divided into 37,999,900 Shares of a par value of HK\$0.01 each and 100 B-Shares of a par value of HK\$0.01 each. On 20 September 2016, the authorised share capital of our Company was increased to HK\$100,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.01 each. Please refer to “History, Reorganisation and Corporate Structure” for details relating to the issue and the transfer of shares in the issued capital of our Company. Save as disclosed in this prospectus, there has been no alteration and no redemption, repurchase or sale of the share capital in our Company since the date of the incorporation of our Company.

Pursuant to the written resolutions of our Shareholders dated 20 September 2016, among others, subject to the Share Offer becomes unconditional, a total of 599,999,000 Shares will be issued to Brilliant Blue Sky, Breadnutter Holdings and the B-Shareholders by way of the Capitalisation Issue. Assuming that the Share Offer becomes unconditional and the Offer Shares are issued but prior to any Shares being issued pursuant to any option that may be granted under the Share Option Scheme, a total of 800,000,000 Shares will have been issued by us, fully paid or credited as fully paid.

**3. Subsidiaries and changes in capital structure of our subsidiaries**

Our subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report, our Company has no other subsidiaries.

Please refer to “History, Reorganisation and Corporate Structure” for details relating to the changes to the capital structure of our subsidiaries during the Track Record Period. Save as disclosed in this prospectus, there has been no change to the capital structure of our subsidiaries within the two years immediately prior to the issue of this prospectus.

#### 4. Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. Please refer to “History, Reorganisation and Corporate Structure” for details.

Following the completion of the Reorganisation, our Company became the holding company of our principal operating subsidiaries within our Group.

#### 5. Resolutions in writing of our Shareholders passed on 20 September 2016

Pursuant to the written resolutions passed by all of our Shareholders on 20 September 2016, among others:

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;
- (b) following the conversion of 100 B-Shares into 100 Shares and immediately before the Share Offer and the Capitalisation Issue, the authorised share capital of our Company be diminished by the amount of B-Shares cancelled and then increased by 9,962,000,000 Shares of a par value of HK\$0.01 each such that the new authorised share capital of the Company shall become HK\$100,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.01 each;
- (c) conditional on (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and (ii) 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:
  - (i) conditional upon the share premium account of our Company being credited as a result of the Share Offer, 599,999,000 Shares to be allotted and issued credited as fully paid for nil consideration to holders of Shares whose names appeared on the register of members of our Company at the close of business on 20 September 2016 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing shareholdings in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the Capitalisation Issue) and our Directors or any committee of our Board were authorised to give effect to the Capitalisation Issue;
  - (ii) the Listing and the Share Offer were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer;

- (iii) the rules of the Share Option Scheme were conditionally approved and adopted and the Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant thereto and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iv) a general unconditional mandate (the “**Issuing Mandate**”) was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend, schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or under the Share Offer, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, Shares with an aggregate number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding (where applicable) any Shares which may be issued pursuant to any options that may be granted under the Share Option Scheme) and (bb) the number of Shares which may be purchased by our Company pursuant to the authority granted to the Directors as referred to below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Ordinance to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
  - (v) a general unconditional mandate was given to the Directors to exercise all powers of our Company to purchase Shares with an aggregate number of not exceeding 10% of the total number of Shares in issue immediately following the completion of the Share Offer but excluding (where applicable) any shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Ordinance to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
  - (vi) the extension of the Issuing Mandate to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above; and
- (d) the form and substance of each of the service contracts (including the duration thereof) made between our executive Directors and our Company were approved.

**B. REPURCHASE OF OUR SHARES**

This sub-section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

**1. Provisions under the Listing Rules**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

**(a) Shareholders' approval**

Under the Listing Rules, all proposed repurchase of securities (which must be fully paid-up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

**(b) Source of funds**

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles of Association and the Listing Rules and the applicable laws of the place of incorporation of the relevant listed company. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by us may be made out of our funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase.

**(c) Trading restrictions**

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) *Status of repurchased shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(e) *Suspension of repurchase*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(f) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(g) *Core connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

**2. Reasons for repurchases**

Our Directors believe that it is in the best interest of our Company and our Shareholders as a whole to have general authority from our Shareholders to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value and the assets of our Company and/or the earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

### 3. **Funding of repurchases**

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Articles of Association, the Listing Rules and the applicable laws and regulations. On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

### 4. **General**

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue upon completion of the Share Offer (taking into no account any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by us during the period prior to the earliest of:

- a) the conclusion of our Company's next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- b) the expiration of the period within which our Company is required by the applicable law or our Articles of Association to hold our next annual general meeting; or
- c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Articles of Association and the applicable laws and regulations from time to time in force.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of us increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.



**C. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of our Group's business) were entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the instrument of transfer and bought and sold notes all dated 12 May 2016 between Mr. Howard and IBI Corporate Holdings, pursuant to which Mr. Howard transferred 72 shares in IBI Group to IBI Corporate Holdings at a consideration of HK\$72;
- (b) the instrument of transfer and bought and sold notes all dated 12 May 2016 between Mr. Smithers and IBI Corporate Holdings, pursuant to which Mr. Smithers transferred 28 shares in IBI Group to IBI Corporate Holdings at a consideration of HK\$28;
- (c) the instrument of transfer and bought and sold notes all dated 12 May 2016 between IBI Group and IBI CS, pursuant to which IBI Group transferred 2 shares in IBI Construction to IBI CS at a consideration of HK\$2;
- (d) the instrument of transfer and bought and sold notes all dated 12 May 2016 between IBI Group and IBI CS, pursuant to which IBI Group transferred 2 shares in IBI Hong Kong to IBI CS at a consideration of HK\$2;
- (e) the instrument of transfer and bought and sold notes all dated 12 May 2016 between IBI Group and IBI CS, pursuant to which IBI Group transferred 2 shares in IBI Design & Build to IBI CS at a consideration of HK\$2;
- (f) the instrument of transfer and bought and sold notes all dated 12 May 2016 between IBI Group and IBI CS, pursuant to which IBI Group transferred 2 shares in IBI Contracting to IBI CS at a consideration of HK\$2;
- (g) the instrument of transfer and bought and sold notes all dated 12 May 2016 between IBI Group and IBI CS, pursuant to which IBI Group transferred 2 shares in IBI Design & Construction to IBI CS at a consideration of HK\$2;
- (h) the instrument of transfer and bought and sold notes all dated 12 May 2016 between IBI Limited and IBI CS, pursuant to which IBI Limited transferred 2 shares in IBI Technology to IBI CS at a consideration of HK\$2;











- (i) the instrument of transfer and bought and sold notes all dated 12 May 2016 between IBI Limited and IBI CS, pursuant to which IBI Limited transferred 2 shares in IBI Corporate to IBI CS at a consideration of HK\$2;
- (j) the shareholders agreement dated 17 May 2016 entered into among our Company, Brilliant Blue Sky, Breadnutter Holdings and the B-Shareholders governing the rights of the shareholders of our Company prior to the conversion of B-Shares, among others;
- (k) the Deed of Non-competition dated 20 September 2016 entered into among our Controlling Shareholders and our Company regarding non-competition undertakings given by our Controlling Shareholders in favour of our Company, details of which are set out in “Relationship with our Controlling Shareholders — Deed of Non-competition”;
- (l) the Deed of Indemnity dated 20 September 2016 entered into among our Controlling Shareholders and our Company pursuant to which our Controlling Shareholders agreed to give certain indemnities in favour of our Company, the details of which are set out in “— G. Other information — 10. Taxation of holders of our Shares”; and
- (m) the Public Offer Underwriting Agreement.


## 2. Our material intellectual property rights

### (a) Trademark

As at the Latest Practicable Date, we were the registered owner of the following trademarks which we believe are material to our business:

Trademark	Place of Registration	Class(es)	Registration number	Registration date	Expiry date
	Hong Kong	37, 42	301249227	1 December 2008	30 November 2018
					
A  B 	Hong Kong	37, 42	303693448	23 February 2016	22 February 2026
C 					
A  B 	Hong Kong	37, 42	303679868	4 February 2016	3 February 2026
C 					

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we believe are material to our business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Class(es)</u>	<u>Application number(s)</u>	<u>Filing date</u>
	Macau	37, 42	N/110691 N/110692	6 April 2016

(b) *Domain name*

As at the Latest Practicable Date, we were the registered owner of the following domain name, which we believe are material to our business:

<u>Domain Name</u>	<u>Name of Registrant</u>	<u>Date of registration</u>	<u>Date of expiry</u>
www.ibi.com.hk	IBI Group	26 June 2006	27 June 2019

**D. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS**

**1. Disclosure of interests**

**(a) *Interests of our Directors and the chief executive in our share capital and our associated corporations following the Share Offer***

The table below sets out the interests of our Directors and chief executive immediately following the completion of the Share Offer (without taking into account any Shares which may be issued pursuant to options that may be granted under the Share Option Scheme) in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

<b>Name of Director(s)/chief executive</b>	<b>Capacity/nature of interest</b>	<b>Relevant company (including associated corporation)</b>	<b>Number and class of Shares<sup>1</sup></b>	<b>Approximate percentage of shareholding in the total issued share capital of our Company</b>
Mr. Howard <sup>2</sup>	Interest in controlled corporation	Brilliant Blue Sky	388,800,000 Shares	48.60%
Mr. Smithers <sup>3</sup>	Interest in controlled corporation	Breadnbutter Holdings	151,200,000 Shares	18.90%

*Notes:*

- (1) All the above Shares are held in long position.
- (2) Brilliant Blue Sky, wholly-owned by Mr. Howard, held 388,800,000 Shares. Mr. Howard is deemed to be interested in the 388,800,000 Shares pursuant to the SFO.
- (3) Breadnbutter Holdings, wholly-owned by Mr. Smithers, held 151,200,000 Shares. Mr. Smithers is deemed to be interested in the 151,200,000 Shares pursuant to the SFO.

(b) *Interests of the substantial shareholders in the Shares which are discloseable under Division 2 and 3 of Part XV of the SFO*

Immediately following the completion of the Share Offer (without taking into account any Share which may be issued pursuant to options that may be granted under the Share Option Scheme), so far as our Directors are aware, the following persons (not being a Director or a chief executive of ours) will have an interests or short position in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Capacity/nature of interest</u>	<u>Number and class of Shares<sup>1</sup></u>	<u>Approximate percentage of shareholding in the total issued share capital of our Company</u>
Brilliant Blue Sky <sup>2</sup>	Beneficial interest	388,800,000 Shares	48.60%
Ms. Shuen Jolie Chung Howard <sup>3</sup>	Spouse/ Interest in controlled corporation	388,800,000 Shares	48.60%
Breadnbutter Holdings <sup>4</sup>	Beneficial interest	151,200,000 Shares	18.90%
Ms. Yuk Fan Joe Lam <sup>5</sup>	Spouse/ Interest in controlled corporation	151,200,000 Shares	18.90%

*Notes:*

- (1) All the above Shares are held in long position.
- (2) Brilliant Blue Sky, wholly-owned by Mr. Howard, held 388,800,000 Shares. Mr. Howard is deemed to be interested in 388,800,000 Shares pursuant to the SFO.
- (3) Ms. Shuen Jolie Chung Howard, the spouse of Mr. Howard, is deemed to be interested in the 388,800,000 Shares held by Mr. Howard, through his controlled corporation, Brilliant Blue Sky, pursuant to the SFO.
- (4) Breadnbutter Holdings, wholly-owned by Mr. Smithers, held 151,200,000 Shares. Mr. Smithers is deemed to be interested in the 151,200,000 Shares pursuant to the SFO.
- (5) Ms. Yuk Fan Joe Lam, the spouse of Mr. Smithers is deemed to be interested in the 151,200,000 Shares held by Mr. Smithers, through his controlled corporation, Breadnbutter Holdings, pursuant to the SFO.

**2. Particulars of Directors' service agreements and letters of appointment**

Each of our executive Directors have signed a service agreement with us for a term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the service agreement). The current basic annual remuneration (subject to annual review and excluding discretionary bonus) for Mr. Howard and Mr. Smithers, our executive Directors, is approximately HK\$2.1 million and HK\$2.0 million, respectively. Each of our executive Directors is entitled to a directors' fee of HK\$240,000 per annum.

Each of our independent non-executive Directors has signed a letter of appointment with us for a term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letters of appointment). Each of our independent non-executive Directors is entitled to a directors' fee of HK\$240,000 per annum.

**3. Agency fees or commission**

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

**4. Related party transactions**

For details of our related party transactions, see note 25 to the Accountant's Report set out in Appendix I to this prospectus.

**E. DISCLAIMERS**

Save as disclosed herein:

- (a) none of our Directors or our chief executive has any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporation (within the meaning of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO of which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our Directors or experts referred to in "— G. Other information — 7. Qualifications of experts" has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any members of our Group;

- (c) none of our Directors or experts referred to in “— G. Other information — 7. Qualifications of experts” is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) 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));
- (e) taking into account Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive of us) who will, immediately following the completion of the Share Offer, have an interest of short position in the shares or underlying shares of us which would fall to be disclosed to us under the provisions of Division of 2 and 3 of Part XV of the SFO or to be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group;
- (f) none of the experts referred to in “— G. Other information — 7. Qualifications of experts” has any shareholding in any member of our 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;
- (g) so far as is known to the Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or shareholders who are interested in more than 5% of our share capital have any interests in the five largest customers or the five largest suppliers of our Group during the Track Record Period.

## **F. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of our shareholders dated 20 September 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

### **1. Purpose**

The purpose of the Share Option Scheme is to enable our Company to grant options to Eligible Participants (as defined in paragraph 2 below) as incentives or rewards for their contribution or potential contribution to our Group.

### **2. Eligible participants**

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below to any full-time or part-time employees, or potential employees, executives or officers

(including executive, non-executive and independent non-executive Directors) of our Company or any of its subsidiaries and any suppliers, customers, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries (the “**Eligible Participants**”).

### 3. **Acceptance of an offer of options**

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance shall in no circumstances be refundable and shall be deemed as part payment of the exercise price. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option in the manner as set out in this paragraph. To the extent that the offer to grant an option is not accepted by the acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs 9, 11, 13, 14 and 15 below, an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph 17, our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

### 4. **Maximum number of Shares**

The maximum number of Shares in respect of which options under the Share Option Scheme and any other share option schemes of our Company may be granted is 10% of the Shares in issue immediately upon completion of the Share Offer and the Capitalisation Issue, being 80,000,000 Shares (the “**Scheme Limit**”), excluding for this purpose the number of Shares which would be issued on the exercise in full of the options which may be granted under the Share Option Scheme or any other schemes of our Company but not cancelled, lapsed or exercised; the number of Shares which have been allotted and issued pursuant to the exercise of any options which have been granted under the Share Option Scheme or any other schemes of our Company; and the number of cancelled Shares. Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (a) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by our Shareholders in a general meeting; and/or

- (b) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the 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 at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The Scheme Limit or the New Scheme Limit shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph 17 below whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

#### 5. **Price of Shares**

The exercise price in relation to each option offered to an Eligible Participant shall, subject to the adjustments referred to in paragraph 17, be determined by the Board (or its committee) in its sole discretion, save that such price shall not be less than the highest of:

- (a) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a day on which the Stock Exchange is open for business of dealing in securities;
- (b) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days (as defined in the Listing Rules) immediately preceding the date of grant; and
- (c) the nominal value of a Share,

provided that for the purpose of determining the exercise price where the Shares have been listed on the Stock Exchange for less than five business days (as defined in the Listing Rules) preceding the date of the grant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day (as defined in the Listing Rules) falling within the period before Listing.



**6. Granting options to connected persons**

Any grant of options to a director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board determines to offer to grant options to a substantial shareholder or an independent non-executive Director or any of their respective associates which will result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other schemes of our Company in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue or such other percentage as may be from time to time provided under the Listing Rules, of the Shares in issue on the date of such grant; and
- (b) having an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of each grant, in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules,

such grant will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company to our Shareholders and the approval of our Shareholders in general meeting on a poll at which all core connected persons of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (a) the details of the number and terms (including the exercise price) of the options to be granted to each Eligible Participant which must be fixed before the shareholders' meeting and the date of the grant, which shall be the date of Board meeting at which the Board proposes to grant the proposed options to such Eligible Participant;
- (b) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (c) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (d) the information required under Rule 2.17 of the Listing Rules.

**7. Restrictions on the times of grant of options**

A grant of options may not be made after inside information has come to our Company's knowledge until our Company has announced the information. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of the results for any year, or half-year period in accordance with the Listing Rules, and where our Company has elected to publish them, any quarterly or any other interim period,

and ending on the actual date of publication of the results for such year, half-year, quarterly or interim period (as the case may be).

No options shall be granted 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 during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

**8. Rights are personal to grantee**

An option and an offer to grant an option is personal to the grantee and is not transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or any offer relating to the grant of an option made to him or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

**9. Time of exercise of option and duration of the Share Option Scheme**

Each of the grantees to whom an option has been granted under the Share Option Scheme shall be entitled to exercise his/her option in the manner set out in his/her offer document, provided that such period of time shall not exceed a period of 10 years commencing on the date on which the option is granted. The exercise of any Option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company.

**10. Performance target**

A grantee may be required to achieve performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

**11. Rights on ceasing employment/death**

If the grantee of an option ceases to be an Eligible Participant:

- (a) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph 12 below, the grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his employment with our Company or any of its subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not); or
- (b) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph 12 has occurred, the grantee or his personal representative(s) shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

**12. Rights on dismissal**

If the grantee of an option ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with our Company and/or any of the subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by our Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary, the grantee's options will lapse on the date on which he ceases to be an Eligible Participant. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive.

**13. Rights on takeover**

If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror (as defined in the Takeovers Code) and/or any person acting in association or in concert with the offeror), our Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them. Shareholders). If such offer, having been approved in accordance with the applicable laws and regulatory requirements, becomes, or is declared unconditional, the grantee (or his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

**14. Rights on winding-up**

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company, give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, 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 (as defined in the Listing Rules) 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 exercise price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

**15. Rights on compromise or arrangement between our Company and its members or creditors**

If a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to all the grantees of the options on the same day as it despatches to its members and/or creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day (as defined in the Listing Rules) immediately prior to the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, 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 the Shares issued as a result of the exercise of options in such circumstances 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 relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full, 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 the aforesaid suspension.

#### **16. Ranking of Shares**

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, the Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of our Company as attached to the fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

#### **17. Effect of alterations to capital**

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), subdivision, consolidation of shares or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price per Share and/or the Scheme Limit, the New Scheme Limit and the Maximum Limit as the auditors of our Company or an independent financial adviser shall certify in writing to be in their opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes (the “**Supplemental Guidance**”). The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the Supplemental Guidance) as that to which he was entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. Any adjustment to be made in accordance with this paragraph shall comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time. In respect of any adjustments required by this paragraph 17, other than any made on a capitalisation issue, the auditors of the Company or the approved independent financial adviser, as the case may be, shall confirm to the Board in writing that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the Supplemental Guidance and/or such other requirement prescribed under the Listing Rules from time to time. In no circumstances shall the exercise price be less than the par value of the Shares.

#### **18. Expiry of option**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the date of expiry of the option as may be determined by the Board;
- (b) the expiry of any of the periods referred to in paragraphs 11, 13, 14 and 15;
- (c) the date on which the scheme of arrangement of our Company referred to in paragraph 15 becomes effective;
- (d) the date of commencement of the winding-up of our Company;
- (e) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation or dismissal, or by termination of his relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by the Board) on any other grounds on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (f) the date that is 30 days after the date on which the grantee is terminated by our Company and/or any of the subsidiaries on a ground other than those set forth in paragraph 18(e); and
- (g) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph 8 above or the options are cancelled in accordance with paragraph 20 below.

#### **19. Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),

must be made with the prior approval of our Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting, provided that the amended terms of the Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules and no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration, except with (i) the consent in writing of grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date, or (ii) the sanction of a special resolution. Written notice of any alterations made in accordance with paragraph 19 shall be given to all grantees.

#### **20. Cancellation of options**

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 8.

#### **21. Termination of the Share Option Scheme**

Our Company may by resolution in general meeting or the Board at any time resolve to terminate the operation of the Share Option Scheme and in such event, no further options shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**22. Administration of the Board**

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties.

**23. Conditions of the Share Option Scheme**

The Share Option Scheme is conditional on:

- (a) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme;
- (b) the Listing Committee granting the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of options under the Share Option Scheme;
- (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waiver(s) of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (d) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in this paragraph 23 are not satisfied within six calendar months from the date on which the Share Option Scheme was conditionally adopted by the written resolutions of the Shareholders dated 20 September 2016:

- (a) the Share Option Scheme shall forthwith terminate;
- (b) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

**24. Disclosure in annual and interim reports**

Our Board shall procure that details of the Share Option Scheme and other schemes of our Company and its subsidiaries are disclosed in its annual and interim reports in compliance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.



Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, being 80,000,000 Shares in total.

## **G. OTHER INFORMATION**

### **1. Litigation**

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

### **2. Preliminary expenses and the Sole Sponsor's fees**

Our preliminary expenses were approximately HK\$20,600 and were paid by us.

The Sole Sponsor will be paid by our Company an aggregate fee of HK\$4.0 million to act as the sole sponsor to the Listing.

### **3. Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Share Offer and the related transactions described in this prospectus.

### **4. Application for Listing**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares: (i) in issue; (ii) to be issued pursuant to the Share Offer and the Capitalisation Issue; and (iii) to be issued upon exercise of any options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

### **5. No material adverse change**

Our Directors confirm that save as disclosed in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2016 (being the date of the latest audited combined financial statements of our Group) and up to the date of this prospectus.

**6. Agency fees and commissions received**

The Underwriters will receive an underwriting commission as referred to in “Underwriting — Underwriting Arrangements and Expenses — Commissions and Expenses”.

**7. Qualifications of experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

<b>Name</b>	<b>Qualifications</b>
Lego Corporate Finance Limited	Licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified public accountants, Hong Kong
Ogier	Legal adviser to our Company as to the laws of the Cayman Islands
Crowe Horwath (HK) Consulting & Valuation Limited	Industry consultant

**8. Consents**

Each of the experts listed in the preceding paragraph has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**10. Taxation of holders of our Shares***Dividends*

No tax is imposed in Hong Kong in respect of dividends our Company pays to the Shareholders. Dividends paid to the Shareholders are free of withholding taxes in Hong Kong.

*Stamp duty*

The sale, purchase and transfer of Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1 % of the consideration, or if higher, the value of the Shares being sold or transferred. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.00. Where a sale or purchase of shares registered on the Hong Kong branch share register is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

*Capital gains and profits tax*

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of the Shares by persons carrying on a business in Hong Kong, where such gains are sourced in Hong Kong and arise from such business, will be chargeable to Hong Kong profits tax.

*Estate duty*

No Hong Kong estate duty is payable in respect of holders of Shares on their death.

Prospective holders of Shares are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in Shares. It is emphasized that none of us, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding, disposal of or dealing in Shares or exercise any rights attaching to them. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands and BVI.

Our Controlling Shareholders (as indemnifiers) have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its subsidiaries) on 20 September 2016, pursuant to which they have, amongst others, agreed and undertaken, jointly and severally, with our Company to indemnify our Company (for itself and as a trustee for each of its subsidiaries) and at all times keep the same fully indemnified from and against any tax liability falling on any member of our Group resulting from, or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Shares are listed on the Stock Exchange.

## 11. Miscellaneous

Save as otherwise disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or of any of our principal operating subsidiaries has been issued agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our principal subsidiaries;
- (iii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
- (iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (v) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (vi) none of the parties (save in connection with the Underwriting Agreements) listed in “— G. Other information — 7. Qualification of experts”:
  - (a) is interested legally or beneficially in any securities of any member of our Group; or
  - (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (viii) there is no arrangement under which future dividends are waived or agreed to be waived;
- (ix) our Directors confirm that our Company has no outstanding convertible debt securities or debentures; and
- (x) 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.

**12. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

**13. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**14. Independence of the Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any shares that may be issued pursuant to any option that may be granted under the Share Option Scheme).

Lego Corporate Finance Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were: (i) copies of the **WHITE** and **YELLOW** Application Forms; (ii) copies of each of the material contracts referred to in “Statutory and General Information — C. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus; and (iii) the consent letters referred to in “Statutory and General Information — G. Other information — 8. Consents” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of H.M. Chan & Co in association with Taylor Wessing at 21st Floor, 8 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the accountant’s report from BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report from BDO Limited on our unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the combined audited financial statements of our Group for the three financial years ended 31 March 2014, 2015 and 2016;
- (e) the Industry Report;
- (f) the Companies Law;
- (g) the material contracts referred to in “Statutory and General Information — C. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (h) the service agreements and letters of appointment referred to in “Statutory and General Information — D. Further information about our Directors, chief executive and substantial shareholders — 2. Particulars of Directors’ service agreements and letters of appointment” in Appendix IV to this prospectus;
- (i) the written consents referred to in “Statutory and General Information — G. Other information — 8. Consents” in Appendix IV to this prospectus;
- (j) the Share Option Scheme;

- (k) the letter of advice prepared by Ogier summarising our constitution and certain aspects of the Companies Law as referred to in Appendix III to this prospectus; and
  
- (l) this prospectus.



IBI Group Holdings Limited