



Milestone Builder Holdings Limited

進階發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 1667

Placing and Public Offer



Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Sole Global Coordinator and Joint Bookrunner

AmCap

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

Joint Bookrunners



Opus Capital Limited
創富融資有限公司

Financial Adviser

ODYSSEUS
CAPITAL ASIA LIMITED
奧斯資本亞洲有限公司

IMPORTANT

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



MILESTONE

Milestone Builder Holdings Limited

進階發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

PLACING AND PUBLIC OFFER

Number of Offer Shares	: 200,000,000 Shares (subject to the Adjustment Options)
Number of Public Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation and the Adjustment Options)
Offer Price	: Not more than HK\$0.6 per Offer Share and expected to be not less than HK\$0.38 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.1 per Share
Stock code	: 1667

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Joint Bookrunners



富滙證券
WealthLink
Securities Limited



Opus Capital Limited
創富融資有限公司

Co-managers

Aristo
Securities Limited

China-Hong Kong Link
Securities Company Limited

Convoy Investment
Services Limited

Head & Shoulders
Securities Limited

Quam Securities
Company Limited

Financial Adviser



ODYSSEUS
CAPITAL ASIA LIMITED
奧斯西本亞洲有限公司

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

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

The Offer Price is expected to be determined by agreement between us and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or before 8:00 p.m. on Wednesday, 29 March 2017. The Offer Price will be not more than HK\$0.6 per Offer Share and is currently expected to be not less than HK\$0.38 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.6 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.6 per Offer Share.

The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published on the website of Stock Exchange at www.hkexnews.hk and on our website at <http://milestone.hk> not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or before 5:00 p.m. on Thursday, 30 March 2017, the Share Offer will not proceed and will lapse.

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

Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) has the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

22 March 2017

EXPECTED TIMETABLE

2017⁽¹⁾

Latest time for completing electronic applications under HK eIPO White Form service through the designated website <u>www.hkeipo.hk</u>	11:30 a.m. on Tuesday, 28 March
Application lists of the Public Offer open ⁽²⁾	11:45 a.m. on Tuesday, 28 March
Latest time to lodge WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Tuesday, 28 March
Latest time for completing payment of HK eIPO White Form application by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 28 March
Application lists of the Public Offer close	12:00 noon on Tuesday, 28 March
Expected Price Determination Date ⁽⁴⁾	Wednesday, 29 March
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares to be published in the newspapers South China Morning Post in English and Hong Kong Economic Times in Chinese, on our website at <u>http://milestone.hk</u> and the Stock Exchange's website at <u>www.hkexnews.hk</u> on or before	Thursday, 6 April
Announcement of results of allocations under the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at <u>http://milestone.hk</u> and the Stock Exchange's website at <u>www.hkexnews.hk</u> (for further details, please see the paragraph headed "How to Apply for Public Offer Shares — 11. Publication of Results" in this prospectus) from	Thursday, 6 April
Results of allocations in the Public Offer will be available at <u>www.tricor.com.hk/ipo/result</u> with a "Search by I.D." function from	Thursday, 6 April

EXPECTED TIMETABLE

Despatch/Collection of refund cheques and e-Auto Refund payment instructions in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before^(5 to 6) Thursday, 6 April

Despatch/Collection of Share certificates on or before Thursday, 6 April

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, 7 April

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 28 March 2017, the application lists will not open on that day. For further details, please see the paragraph headed “How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should see the paragraph headed “How to Apply for Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or around Wednesday, 29 March 2017. If, for any reason, the Offer Price is not agreed by Thursday, 30 March 2017 between our Company and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters), the Share Offer (including the Public Offer) will not proceed and will lapse.
5. Share certificates for the Offer Shares are expected to be issued on or before Thursday, 6 April 2017 but will only become valid certificates of title at 8:00 a.m. on Friday, 7 April 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms and have provided all information required by their Application Forms may collect refund cheques (where relevant) and/or Share certificates (where relevant) 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, 6 April 2017 or such other date as notified by us.

Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms 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 the credit of

EXPECTED TIMETABLE

their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

7. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should see the paragraph headed "How to Apply for Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Cheques/e-Auto Refund Payment Instructions" in this prospectus.
8. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.6 per Offer Share.

For details of the structure of the Share Offer, including conditions of the Share Offer, applicants should see the section headed "Structure and Conditions of the Share Offer" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security 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 or invitation 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 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. We, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Share Offer.

	<i>Page</i>
Expected Timetable	i
Contents	iv
Summary	1
Definitions	16
Risk Factors	30
Forward-looking Statements	46
Information about this Prospectus and the Share Offer	48
Directors and Parties Involved in the Share Offer	52
Corporate Information	56
Industry Overview	58

CONTENTS

	<i>Page</i>
Laws and Regulations	72
History and Development	99
Business	112
Relationship with Controlling Shareholders and Non-competition Undertaking	190
Continuing Connected Transactions	197
Substantial Shareholders	200
Share Capital	202
Directors, Senior Management and Staff	205
Financial Information	216
Future Plans and Use of Proceeds	294
Underwriting	297
Structure and Conditions of the Share Offer	307
How to Apply for Public Offer Shares	318
Appendix I — Accountant’s Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of the Company and the Cayman Islands Company Law	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	V-1

SUMMARY

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

BUSINESS OVERVIEW

We are a long-established main contractor and subcontractor in Hong Kong that principally engaged in the provision of (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings.

The following table sets out a breakdown of our total revenue during the Track Record Period according to our three major types of services:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building construction services	70,197	37.4	88,677	30.6	210,976	58.4	84,817	51.7	99,038	68.2
Alteration, addition, fitting-out works and building services	108,049	57.5	167,953	57.9	120,515	33.3	63,407	38.6	36,078	24.9
Repair and restoration of historic buildings	9,549	5.1	33,226	11.5	29,936	8.3	15,988	9.7	9,975	6.9
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0

During the Track Record Period and up to the Latest Practicable Date, we undertook 20, 40 and five major projects of building construction services, alteration, addition, fitting-out works and building services, and repair and restoration of historic buildings, respectively which had contract value over HK\$3 million. The table below sets forth the details on the number of tenders submitted and quotations provided by our Group and the corresponding success rate in respect of acceptance of our tenders and quotations by our customers during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September
	2014	2015	2016	2016
Number of projects tendered for/ quotation provided	430	503	454	212
Number of projects awarded	127	93	104	41
Success rate (%)	29.5%	18.5%	22.9%	19.3%

SUMMARY

Regarding our historical success rates as shown above, our Directors are of the view that our historical success rates may not be reflective of our future success due to our non-discriminating strategy in submitting tender and providing quotation. Historically, our Directors would respond to tender invitations or quotation requests by submitting tenders or providing quotations irrespective of the likelihood of being awarded the projects as long as the projects match our scope of services because we would like to (i) maintain the relationships with our existing customers and potential customers; (ii) strengthen our Group's presence in the construction industry; and (iii) demonstrate our active participation in the market to potential customers.

As at the Latest Practicable Date, we had nine, 26 and four on-going projects in progress, pertaining to (i) building construction services, (ii) alteration, addition, fitting-out works and building services, and (iii) repair and restoration of historic buildings, respectively. As at the Latest Practicable Date, the aggregate amount of revenue expected to be recognised after the Track Record Period of our on-going projects was approximately HK\$780.3 million, of which approximately HK\$204.8 million is attributable to project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, being one of our major contracts undertaken during the Track Record Period. Approximately HK\$363.0 million of the aggregate outstanding project value is expected to be recognised in the year ending 31 March 2017. Furthermore, the revenue expected to be recognised in the six months ending 31 March 2017 and 30 September 2017 from the on-going projects are approximately HK\$217.9 million and HK\$208.6 million, respectively.

Sets forth below are the numbers of our major projects, with outstanding contract value and original contract value over HK\$3 million, and the outstanding contract values of those projects as at 31 March 2014, 2015 and 2016 and 30 September 2016:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
Number of major projects with outstanding contract value	14	14	12	20
Outstanding contract value (HK\$'000)	175,706	216,911	364,423	519,553

Notes:

1. The number of major projects and outstanding contract values include only of projects which had original contract value over HK\$3 million and with outstanding contract value as at 31 March 2014, 2015 and 2016 and 30 September 2016, either in progress or awarded but yet to commence.
2. The outstanding contract value as at the indicated dates is derived from the original contract sum, not taking further supplemental agreements or variation orders contract values into account, minus the corresponding revenue recognised in the previous financial years, of the major projects which had original contract value over HK\$3 million, until the project has been completed.

For further details, please refer to the section headed "Business" in this prospectus.

OPERATIONS

Our operations principally comprise the following steps:

Project identification

We generally identify potential projects through (i) receiving letters of invitations or otherwise becoming aware of open tenders; or (ii) requests for quotation from our customers or their agents. The tender notice generally includes brief description of the works required, contract period, closing time of the tender and other particulars of the project.

SUMMARY

Tendering/Quotation

Upon receiving an invitation for tender or quotation request, the tendering team will review the request for tender or quotation with respect to the scope of work, complexity, difficulty, cost, time frame and previous similar projects completed by our Group for the evaluation of the manageability and profitability of the project. We will also conduct a preliminary analysis and the tendering team will generally conduct risk assessment to assess whether our Group has the necessary license, resources and funding to meet contract requirements. Results of such analysis and assessment, together with the profitability and manageability of the project, will be considered in deciding whether to submit the tender or provide the quotation.

Project implementation

The implementation process includes formation of a project team which will be responsible for the overall management of the project, formulation of master programme specifying the different components of the works and the sequence and timeframe proposed for carrying out the works, procurement of materials and equipment and implementation of works by our site workers and/or delegation of works to subcontractors.

Inspection and application of payment and certification

In the course of implementation and execution of the project, our project team will conduct quality check and inspection on all works completed on a regular basis to ensure that the works performed by our Group and our subcontractors comply with the requirements as set out in the relevant contract.

We receive progress payment pursuant to the terms of each respective contract and our application for progress payment is typically made on a monthly basis. Our customer will issue an interim payment certificate certifying the works completed in the preceding month and make payment based on the certified amount less any retention money and/or discount and/or any adjustment to be made in accordance with the contract.

Customers

During the Track Record Period, we served public customers including the Government and quasi-Government entities as well as private companies. Generally, our projects are on contract by contract basis. During the three years ended 31 March 2016 and the six months ended 30 September 2016, total revenue of our Group amounted to approximately HK\$187.8 million, HK\$289.9 million, HK\$361.4 million and HK\$145.1 million, respectively. A significant portion of our revenue was derived from private customers. For the three years ended 31 March 2016 and the six months ended 30 September 2016, revenue derived from private customers accounted for approximately 75.3%, 85.6%, 85.6% and 87.7% of our total revenue, respectively. Our largest customer accounted for approximately 26.0%, 33.0%, 23.0% and 35.7% of our total revenue, and our five largest customers in aggregate accounted for approximately 73.4%, 69.5%, 65.8% and 65.9% of our total revenue for the three years ended 31 March 2016 and the six months ended 30 September 2016, respectively. All our revenue are derived from services we provide in Hong Kong.

Suppliers

Our Group's construction materials suppliers include but not limited to suppliers of concrete, sand, steel, cement, lighting materials, timber, door accessories and metal works. We engage our construction materials suppliers on a contract by contract basis therefore we have not established any long term agreements with our construction materials suppliers. For the three years ended 31

SUMMARY

March 2016 and the six months ended 30 September 2016, our Group's five largest construction materials suppliers in aggregate accounted for approximately 22.6%, 26.5%, 37.4% and 30.6%, respectively of the total purchases of construction materials, while our purchases from the largest construction materials supplier were approximately 6.0%, 7.5%, 11.5% and 8.1%, respectively of the total purchases of construction materials. During the Track Record Period, our major suppliers are located in Hong Kong and all of our purchases are denominated in HK dollars. The credit terms granted to our Group by our suppliers are normally within 60 days and we generally settle our payment by way of cash or cheque. Our Group generally maintained multiple construction materials suppliers for products and services to avoid over-reliance on a single or a few construction materials suppliers. During the Track Record Period, we had no material shortage of the construction materials.

Subcontractors

As constructions are normally labour intensive work, to maximise allocation of resources and utilise expertise of other subcontractors, we usually engage subcontractors to perform works in our projects on a contract by contract basis. During the Track Record Period, works that we delegated to our subcontractors were generally labour intensive or required specific skill sets, such as demolition, hoarding, concreting, painting, woodwork, steel and metal work, bar-bending and waterproofing.

Our subcontractors include both private companies and sole proprietors which have the skills and manpower available to carry out works subcontracted to them. We engage our subcontractors on a contract by contract basis and therefore we have not entered into any long term agreements with our subcontractors. To ensure high quality of work, we in general discourage our subcontractors to further subcontract the works. During the Track Record Period, our Directors confirm that our Group did not experience any material shortage or delay in the supply of materials or services that we required from our subcontractors. Our Directors consider that the possibility of material shortage or delay is low given the availability of subcontractors in the market. Our Directors confirm that our Group did not receive any material claim or complaints from our customers in relation to the works performed by our subcontractors.

During the three years ended 31 March 2016 and the six months ended 30 September 2016, our Group's subcontracting fees charged amounted to approximately HK\$100.4 million, HK\$153.2 million, HK\$175.3 million and HK\$62.3 million, respectively, representing approximately 62.5%, 62.4%, 57.1% and 54.0% of our Group's total cost of sales. During the three years ended 31 March 2016 and the six months ended 30 September 2016, our Group's largest subcontractor accounted for approximately 6.1%, 6.1%, 7.2% and 7.2% of our Group's total subcontracting fees charged, respectively, and our Group's five largest subcontractors accounted for approximately 20.8%, 21.2%, 26.6% and 28.9% of our Group's total subcontracting fees charged, respectively.

Licenses and Qualifications

Our Group holds various construction related licenses and qualifications that enable us to bid for and carry out public works projects. Our Group is listed on the Contractor List and the Specialist List maintained by the WBDB. Being listed on the Contractor List and the Specialist List enables us to tender for Government contracts. Our Group has been included as a Group A (probation) contractor for "Buildings" category in the Contractor List since May 2012. As at the Latest Practicable Date, our Group has obtained the following major licenses, qualifications and certifications in Hong Kong.

SUMMARY

Relevant authority/ Organisation	Relevant list/Category	License	Holder	Date of first grant/ Registration	Expiry date for existing license	Authorised contract value
WBDB	Approved Contractors for Public Works — Buildings Category	Group A (probation)	Milestone Builder	2 May 2012	Not Applicable	Contracts of value up to HK\$100 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category	—	Milestone Builder	4 June 2013	Not Applicable	Not Applicable
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Electrical Installation Category	Group II of Electrical Installation (probation)	Speedy Engineering	21 June 2016	Not Applicable	Contracts/sub-contracts of value up to HK\$5.7 million
Buildings Department	Certificate of Registration of General Building Contractor	—	Milestone Builder	29 October 2008	14 October 2017	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor	Type A–D, F, G (Class I, II, III)	Milestone Builder	2 September 2011	2 September 2017	Not Applicable
Buildings Department	Certificate of Registration of Specialist Contractor	Site Formation Works	Milestone Builder	27 September 2006	10 September 2018	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor	Type A, B, D, G (Class II & III)	Speedy Engineering	7 March 2013	7 March 2019	Not Applicable

Moreover, our Group is one of the approved specialist contractors under the “Repair and Restoration of Historic Buildings” category and under the “Electrical Installation” category of the Specialist List and is allowed to carry out works in relation to repair and restoration of Western-style and Chinese-style historic buildings in Hong Kong and electrical installation works. For further details regarding our Group’s major licenses, qualifications and certifications, please refer to the paragraph headed “Business — Major Licenses, Qualifications and Certifications”.

COMPETITIVE LANDSCAPE OF CONSTRUCTION MARKET

The construction market consisting of companies with qualifications for building construction services, alteration, addition and fitting-out building services, repair and restoration of historic buildings is extremely fragmented. The concentration level of the Hong Kong construction market is quite low. Comparing to the overall construction market, the building construction services segment is relatively concentrated. Leading players who have established long-term relationships with the government, commercial and individual customers account for the most market share. It is estimated that our Group contributed approximately 0.1% of the entire building construction services market, with a revenue of approximately HK\$88.7 million in 2015.

Meanwhile, the alteration, addition and fitting-out building services segment is relatively fragmented. Most of the players are small-sized and middle-sized companies, leading to fierce competition in this segment of the market. It is estimated that our Group is accountable for approximately 1.0% of the entire alteration, addition and fitting-out building services segment, with a revenue of approximately HK\$168.0 million in 2015.

SUMMARY

There were only 29 qualified repair and restoration of historic buildings specialist contractors in the repair and restoration of historic buildings segment in Hong Kong as at the Latest Practicable Date. It is estimated that our Group contributed approximately 11.5% of the entire repair and restoration of historic buildings segment, with a revenue of approximately HK\$33.2 million in 2015. Although there are many players involved in the entire construction market, most of them provide a limited scope of services and may only offer building construction services or fitting-out service. Therefore, the capability to provide a comprehensive range of services certainly offers players an edge in terms of competitiveness. With strong presence in projects from the Government and Government related organisations, the approved contractors for public works by the Development Bureau are holding the majority share of the repair and restoration of historic buildings market. According to our track record, our Group was one of the leading players by revenue in the repair and restoration of historic buildings market, among the 29 approved contractors. Furthermore, our Group ranks third by revenue amongst the 28 suppliers who principally engage in (i) building construction services; (ii) alteration, addition and fitting-out building services; and (iii) repair and restoration of historic building in 2015.

For further details, please refer to the paragraph headed “Industry Overview — Competitive Landscape of Construction Market” in this prospectus.

COMPETITIVE STRENGTHS

We believe our competitive strength will enable us to maintain our position in the industry. Our competitive strengths includes: (i) diversified experience and capabilities; (ii) established relationships with customers, subcontractors and the construction materials suppliers; (iii) solid track record in repairing and restoring historic buildings; (iv) comprehensive building construction contracting services; and (v) in-house site staff and site workers in carrying out construction works.

BUSINESS STRATEGIES

In order to provide comprehensive services to our customers, we intend to expand our services in building construction works and apply for additional licenses, permits or qualifications which may be required. Upon Listing, our Group will have more capital resources in which we may proceed to tendering for more Government projects. We intend to continue to leverage on our various licenses and qualifications and extensive experience in construction industry and to participate in the forthcoming projects of the 10 mega infrastructure projects in order to strengthen our position in the Hong Kong market. Our Group intends to explore new construction techniques and methodologies, to look for ways to lower our cost and to enhance the quality of project management and implementation. We also intend to enhance our information technology system and database by implementing the BIM software for better project monitoring and control. In view of the escalating needs on public works projects by the Government, our Group intends to expand our services in building construction works. Owing to the above, our Group intends to expand our in-house team of professional staff by recruiting additional qualified and experienced staff. Our Group also plans to continue to enhance our human resources management processes and regularly evaluate the performance of our employees and provide competent employees with career prospect within our Group. We will also continue to evaluate our compensation system and optimise our incentive program to ensure that we offer competitive compensation packages to our employees and those incentives are aligned with performance.

SUMMARY

FINANCIAL INFORMATION

Selected data in the combined statements of comprehensive income and balance sheets

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Revenue	187,795	289,856	361,427	164,212	145,091
Gross profit	27,140	44,172	54,281	16,454	29,649
Profit for the year	13,582	22,597	24,308	5,363	9,088

	As at 31 March			As at 30 September	As at 31 January
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>
Total current assets	75,810	125,933	146,435	169,952	168,148
Total current liabilities	75,700	108,291	111,217	131,525	127,583
Net current assets	110	17,642	35,218	38,427	40,565
Net assets	17,736	40,263	58,231	50,561	53,316
Total assets	94,010	150,130	171,572	184,401	182,696

Key financial ratios

	As at/Year ended 31 March			As at/six months ended 30 September
	2014	2015	2016	2016
Return on assets	14.4%	15.1%	14.2%	4.9%
Return on equity	76.6%	56.1%	41.7%	18.0%
Net profit margin	7.2%	7.8%	6.7%	6.3%
Gearing ratio ^(Note 1)	42.9%	39.5%	31.5%	34.6%
Debt to equity ratio (times)	0.8	0.7	0.5	0.5
Current ratio (times) ^(Note 2)	1.0	1.2	1.3	1.3
Interest coverage (times)	16.2	15.7	18.2	12.5

Note 1: Gearing ratio is calculated based on the net debt (total borrowings including bank loans and obligation under finance leases, less cash and bank balances) divided by total capital (summation of equity plus net debt).

Note 2: Current ratio is calculated based on the total current assets (inclusive of non-current assets held for distribution) divided by the total current liabilities (inclusive of liabilities held for distribution).

SUMMARY

Our revenue amounted to approximately HK\$187.8 million, HK\$289.9 million, HK\$361.4 million, HK\$164.2 million and HK\$145.1 million for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively. The following table sets forth the details of our Group's revenue by projects undertaken for public customers versus private customers during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September					
	2014		2015		2016		2015		2016			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>											
Public customers	46,326	24.7	41,675	14.4	51,947	14.4	35,052	21.3	17,802	12.3		
Private customers	141,469	75.3	248,181	85.6	309,480	85.6	129,160	78.7	127,289	87.7		
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0		

Note: For the purpose of this calculation, public customers include quasi-Government entities, charitable organisations and institutes.

Our Group's breakdown of revenue generated by acting as a main contractor and acting as a subcontractor during the Track Record Period was as follows:

	For the year ended 31 March						For the six months ended 30 September					
	2014		2015		2016		2015		2016			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>											
Main contractor	95,515	50.9	89,342	30.8	95,576	26.4	43,231	26.3	49,423	34.1		
Subcontractor	92,280	49.1	200,514	69.2	265,851	73.6	120,981	73.7	95,668	65.9		
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0		

The following table sets forth our Group's revenue breakdown by contract size during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September					
	2014		2015		2016		2015		2016			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>											
Under HK\$3 million	69,925	37.2	64,053	22.1	38,226	10.6	20,021	12.2	16,045	11.1		
HK\$3 million– HK\$10 million	27,225	14.5	66,286	22.9	33,412	9.2	10,638	6.5	21,491	14.8		
Above HK\$10 million	90,645	48.3	159,517	55.0	289,789	80.2	133,553	81.3	107,555	74.1		
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0		

Revenue

Our overall revenue increased by approximately HK\$102.1 million, or approximately 54.4%, from approximately HK\$187.8 million for the year ended 31 March 2014 to approximately HK\$289.9 million for the year ended 31 March 2015. The growth in our revenue was mainly attributable to contract works undertaken for private customers, for the service category of alteration, addition, fitting-out works and building construction services with our Group acting as subcontractors for certain major projects, while our revenue from other contract categories also

SUMMARY

increased during the same year. Our overall revenue further increased by approximately HK\$71.5 million, or approximately 24.7%, from approximately HK\$289.9 million for the year ended 31 March 2015 to approximately HK\$361.4 million for the year ended 31 March 2016. The growth in our revenue was mainly attributable to contract works undertaken for private customers, for the service category of building construction services with our Group acting as subcontractors for certain major projects, namely projects A1 and A2. Our overall revenue decreased by approximately HK\$19.1 million, or approximately 11.6%, from approximately HK\$164.2 million for the six months ended 30 September 2015 to approximately HK\$145.1 million for the six months ended 30 September 2016. The decline in our revenue was mainly attributable to the completion or substantial completion of contract works undertaken for public customers, for the service category of alteration, addition, fitting-out works and building services with our Group acting as subcontractors for certain major projects, namely projects B2 and B3. Further details of the aforementioned major projects are set out in the paragraph headed “Business — Business model and Our Operation — Projects completed/Projects in progress as at the Latest Practicable Date” in this prospectus.

Cost of sales

The following table sets out a summary of cost of sales for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Construction material costs	25,563	41,949	47,485	16,147	11,601
Subcontracting costs	100,359	153,190	175,308	104,542	62,333
Labour costs	23,392	36,614	53,625	18,747	22,074
Contra-charges	—	—	12,044	—	10,360
Transportation and machinery rental charges	2,947	3,029	5,911	2,263	2,648
Depreciation	44	109	163	56	141
Insurance	3,322	5,761	3,644	1,448	847
Consultant fee	1,303	1,778	1,690	691	301
Scaffolding expenses	644	1,317	1,122	592	1,186
Others	3,081	1,937	6,154	3,272	3,951
Total cost of sales	<u>160,655</u>	<u>245,684</u>	<u>307,146</u>	<u>147,758</u>	<u>115,442</u>

Gross profit and gross profit margin

Our gross profit was approximately HK\$27.1 million, HK\$44.2 million, HK\$54.3 million, HK\$16.5 million and HK\$29.6 million for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively, while our gross profit margin was approximately 14.5%, 15.2%, 15.0%, 10.0% and 20.4% for the same aforementioned periods.

SUMMARY

The following table sets out a breakdown of gross profit and gross profit margin of our Group undertaken for public customers versus private customers during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public customers	7,313	15.8	8,803	21.1	8,953	17.2	6,553	18.7	3,241	18.2
Private customers	19,827	14.0	35,369	14.3	45,328	14.6	9,901	7.7	26,408	20.7
	<u>27,140</u>	<u>14.5</u>	<u>44,172</u>	<u>15.2</u>	<u>54,281</u>	<u>15.0</u>	<u>16,454</u>	<u>10.0</u>	<u>29,649</u>	<u>20.4</u>

The following table sets out a breakdown of gross profit and gross profit margin with our Group acting as main contractor versus subcontractor during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	12,887	13.5	16,269	18.2	16,684	17.5	6,948	16.1	8,679	17.6
Subcontractor	14,253	15.4	27,903	13.9	37,597	14.1	9,506	7.9	20,970	21.9
	<u>27,140</u>	<u>14.5</u>	<u>44,172</u>	<u>15.2</u>	<u>54,281</u>	<u>15.0</u>	<u>16,454</u>	<u>10.0</u>	<u>29,649</u>	<u>20.4</u>

The following table sets out a breakdown of gross profit and gross profit margin for the respective category of contract works undertaken by our Group during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building construction services	10,096	14.4	12,982	14.6	31,490	14.9	6,018	7.1	23,381	23.6
Alteration, addition, fitting-out works and building services	16,026	14.8	26,959	16.1	19,131	15.9	8,350	13.2	5,011	13.9
Repair and restoration of historic buildings	1,018	10.7	4,231	12.7	3,660	12.2	2,086	13.0	1,257	12.6
	<u>27,140</u>	<u>14.5</u>	<u>44,172</u>	<u>15.2</u>	<u>54,281</u>	<u>15.0</u>	<u>16,454</u>	<u>10.0</u>	<u>29,649</u>	<u>20.4</u>

SUMMARY

Our gross profit margin is mainly driven by our tender price of the projects which stemmed from various factors, such as (i) the nature, scope and complexity of the project; (ii) estimated direct cost to complete the project (including mainly those in relation to the type and amount of materials needed), direct labour costs and subcontracting charges; (iii) prevailing market conditions; and (iv) relationship with and background of our customer. The increase in gross profit for all sectors was driven by the increase in business volume of contract activities throughout the Track Record Period.

Trade receivables turnover days

Our trade receivables turnover days decreased from approximately 55.7 days for the year ended 31 March 2014 to approximately 40.8 days for the year ended 31 March 2015. It further decreased to approximately 36.6 days for the year ended 31 March 2016. It then remained fairly stable at approximately 37.6 days for the six months ended 30 September 2016. The general decrease in our trade receivable turnover days during the Track Record Period was mainly attributable to (i) the completion of final measurement period, which typically involves a longer period of review and agreement as to value of contract works performed, for certain major projects from Wide Project Engineering & Construction Company, Customer A, Wah Tat Construction Company and Customer F; and (ii) the commencement of our major project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works with Customer D for the year ended 31 March 2016, as it generally took shorter time to facilitate the certification of the works completed during the early stage of the project, in addition to the timely payment received from Customer D. Further details of these major customer are set out in the paragraph headed “Business — Sales and Marketing and Customers — Major customers” in this prospectus.

Trade payables’ turnover days

Our trade payables’ turnover days remained fairly stable for the three years ended 31 March 2016 and the six months ended 30 September 2016, which were approximately 54.6 days, 51.6 days, 56.2 days and 79.4 days, respectively, calculated on the basis of total cost of sales of HK\$160.7 million, HK\$245.7 million, HK\$307.1 million and HK\$115.4 million, respectively, for the corresponding periods. Our Directors consider that the higher trade payables’ turnover days during the period of the six months ended 30 September 2016 was partially due to a higher balance of trade payable at the beginning of the period concerned, which in turn was contributed by the continual expansion of our Group’s business up to that point. Accordingly, as and when our Group’s revenue and cost of sales declined for the period concerned, the higher beginning balance correspondingly gave rise to the resulting calculation of a higher trade payables’ turnover days. Our Directors consider that after adjusting for these effects, the trade payables’ turnover days during the Track Record Period were generally within the credit period and there was no liquidity problem for our Group.

SUMMARY

Cash flows

The following table sets forth a summary of our cash flows for the years and periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalent at the beginning of the year/period	<u>3,871</u>	<u>3,724</u>	<u>1,537</u>	<u>1,537</u>	<u>7,228</u>
Net cash generated from/(used in) operating activities	8,477	7,002	8,080	21,124	(3,196)
Net cash used in investing activities	(10,143)	(16,365)	(5,059)	(2,622)	(622)
Net cash generated from/(used in) financing activities	<u>1,519</u>	<u>7,176</u>	<u>2,670</u>	<u>(12,322)</u>	<u>(1,120)</u>
Net (decrease)/increase in cash and cash equivalents	(147)	(2,187)	5,691	6,180	(4,938)
Cash and cash equivalent at the end of the year/period	<u><u>3,724</u></u>	<u><u>1,537</u></u>	<u><u>7,228</u></u>	<u><u>7,717</u></u>	<u><u>2,290</u></u>

Our cash inflow from operating activities is primarily generated from the provision of various contract work services. Our cash outflow for operating activities primarily related to purchase of construction materials and consumables, staff costs, subcontracting charges and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of contract works and the settlement of trade receivables by our customers and trade payables by our Group.

Further details of the analysis of key financial ratios and financial performance are set out in the section headed "Financial Information" in this prospectus.

RECENT DEVELOPMENT

As at the Latest Practicable Date, we had nine, 26 and four on-going projects in progress, pertaining to (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings respectively. We had no major projects awarded to us but yet to commence as at the Latest Practicable Date. As at the Latest Practicable Date, our Directors are of the view that all existing projects on hand have continued to contribute revenue to our Group and none of them has had any material interruption.

Our Directors consider that our Group is well-positioned and well-equipped to take on additional projects and believe that the emphasis of Government policy on housing and infrastructure projects would favour the growth of our Group and the demand of our services.

Save for the professional fees of approximately HK\$9.3 million in connection with the Listing and the expected increase in staff salaries and allowances and rental expenses, which will be recorded in our combined statements of comprehensive income for the remaining period of the year ending 31 March 2017, our Directors confirm that there has been no material adverse change in the operation, financial position, or prospects of our Group since 30 September 2016 (being the date to

SUMMARY

which the latest audited combined financial statements of our Group were prepared) and up to the date of the prospectus, and there is no event since 30 September 2016 and up to the date of the prospectus which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

LISTING EXPENSES

The total listing expenses in connection with the Share Offer is estimated to be approximately HK\$27.8 million, based on the mid point of the Offer Price range stated in this prospectus and assuming the Adjustment Options are not exercised, of which approximately HK\$10.6 million is directly attributable to the issue of the Share Offer and to be accounted for as a deduction from equity, approximately HK\$3.0 million and HK\$4.9 million were charged to combined statements of comprehensive income of our Group for the year ended 31 March 2016 and the six months ended 30 September 2016, respectively, and approximately HK\$9.3 million is to be charged to combined statements of comprehensive income of our Group for the remaining period of the year ending 31 March 2017.

USE OF PROCEEDS

We intend to apply the net proceeds to be raised from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Adjustment Options are not exercised at all and an Offer Price of HK\$0.49, being the mid-point of the Offer Price range, of approximately HK\$70.2 million as follows:

- approximately HK\$33.3 million, representing approximately 47.4% of the net proceeds will be used for financing the capital input and upfront costs (including but not limited to construction material costs and subcontracting costs, equipment and tooling expenses, insurance and sundry site expenses) to upcoming projects with the expected total contract value of approximately HK\$300 million;
- approximately HK\$12.0 million, representing approximately 17.1% of the net proceeds will be used for the purchase of surety bonds, which is a prerequisite to undertake some of the main construction projects in Hong Kong;
- approximately HK\$10.5 million, representing approximately 15.0% of the net proceeds will be used for increasing the employed capital of our Group for obtaining licenses such as Group B (probation) license of Approved Contractors for Public Works — Buildings Category from the WBDB and/or our Group M2 license under the maintenance works category of building contractors from the Housing Authority;
- approximately HK\$4.0 million, representing approximately 5.7% of the net proceeds will be used for repayment of current bank borrowings of our Group to reduce our future finance cost with details set out below:

	Outstanding amount as at 31 January 2017	Annual effective interest rate	Maturity	Usage
Bank borrowing	HK\$4.8 million	3.25%–5.00%	Five years	Financing our Group's property, plant and equipment

SUMMARY

- approximately HK\$3.0 million, representing approximately 4.3% of the net proceeds will be used for employing additional staff, such as project managers, site foremen, quantity surveyors, accounting and administration staff, for the expansion of our business;
- approximately HK\$0.5 million, representing approximately 0.7% of the net proceeds will be used for investing in building information modelling software, which includes upgrading our computer system and software of our Group and to provide necessary training to our staff; and
- approximately HK\$6.9 million or approximately 9.8% of the net proceeds will be used as general working capital of our Group.

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

DIVIDEND

The Company currently does not have a dividend policy and may distribute dividends by way of cash or by other means that the Directors consider appropriate. For the three years ended 31 March 2016 and the six months ended 30 September 2016, members of our Group declared and paid dividends of approximately HK\$3.2 million, HK\$0.5 million, HK\$6.3 million and HK\$16.8 million, respectively, representing approximately 23.6%, 2.2%, 25.6% and 184.4% of the respective year’s net profit attributable to shareholders. The dividends declared for the three years ended 31 March 2016 were dealt with principally by way of set off against amounts due from shareholders in lieu of cash payment. The dividends declared for the six months ended 30 September 2016 has been dealt with by way of set off against amounts due from shareholders, inclusive of balance arising out of assignment to the shareholders of financial assets at fair value through profit or loss; and related bank borrowings against which the financial assets has been pledged. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payments. For further details, please refer to the paragraph headed “Financial Information — Dividend” in this prospectus.

SHARE OFFER STATISTICS^{Note}

Market capitalisation at Listing:	HK\$304.0 million to HK\$480.0 million
Shares to be in issue following completion of the Share Offer and Capitalisation issue:	800,000,000 Shares
Offer size:	200,000,000 Shares
Board lot:	10,000 Shares
Offering structure:	180,000,000 Shares for Placing and 20,000,000 Shares for Public Offer
Unaudited pro forma adjusted net tangible assets per Share:	HK\$0.13 to HK\$0.19

Note: All statistics in this table are based on the assumption that none of the Adjustment Options is exercised.

LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

During the Track Record Period, we had been involved in a number of claims, litigations and potential claims against our Group. The claims and charges against us typically relate to (i) personal injury claims; (ii) employees’ compensation claims; (iii) contractual disputes; and (iv) industrial safety charges. None of the claims or charges is related to any disputes with the customers of our Group. As at the Latest Practicable Date, save as disclosed in this prospectus,

SUMMARY

there was no outstanding legal and arbitration proceedings against us. For further details, please refer to the paragraph headed “Business — Litigation, Arbitration and Potential Claims” in this prospectus. Our Directors are of the view that occurrence of personal injury claims and employees’ compensation claims is not uncommon in the industry. We have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work related injuries for employees. As such, our Directors are of the view that the above employees’ compensation claims and personal injuries claims would be covered by insurance taken out by our Group and did not and are not expected to have a material impact on our Group’s operations. For further details of our insurance policies, please refer to the paragraph headed “Business — Insurance” in this prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. More details of the risks we are exposed to are set out in the section headed “Risk Factors” in this prospectus. Some of the risks which are considered to be material by our Directors include: (i) our Group’s cash flows may fluctuate due to the payment practice applied to our projects; (ii) a failure to receive progress payment on time and in full, or that retention money is not fully released to us after expiry of the defect liability period, may affect our liquidity position; and (iii) we have contingent liabilities which may adversely affect our Group’s business, financial performance and results of operations.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Adjustment Options”	the Offer Size Adjustment Option and the Over-allotment Option
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s), and GREEN Application Form(s) or, where the context so requires, any of them, to be used in relation to the Public Offer
“Architectural Services Department”	the Architectural Services Department of the Government
“Articles of Association” or “Articles”	the articles of association of our Company conditionally approved and adopted on 13 March 2017 and effective on the Listing Date, as amended supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“authorised signatory”	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance
“BIM”	building information modelling, a process of generating three-dimensional digital representation of building data throughout its life cycle
“Board”	the board of Directors
“Building Authority”	the Building Authority of Hong Kong
“Buildings Category”	one of the five major categories of building and civil engineering works on the Contractor List as kept by the Development Bureau
“Buildings Department” or “BD”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“business day(s)”	any day(s) (excluding Saturday(s), Sunday(s) and public holidays) in Hong Kong on which licensed banks in Hong Kong are open for banking business through their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of 599,990,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further Information About the Company — 4. Written resolutions of our Shareholders” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chief Executive in Council”	the Chief Executive in Council of the Government
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Milestone Builder Holdings Limited (進階發展集團有限公司) (formerly known as Milestone Builder Holdings Limited (進階建築控股有限公司) and Milestone Builder Holdings Ltd.), an exempted company incorporated in the Cayman Islands on 8 June 2016 with limited liability and registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance
“Concert Party Deed”	a confirmatory deed dated 27 September 2016 entered into among Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui to confirm their acting in concert (having the meaning as ascribed to it under the Takeovers Code) arrangement in respect of our Group
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Contractor List”	the List of Approved Contractors for Public Works (認可公共工程承建商名冊), which comprises contractors who are approved by the Development Bureau for carrying out public works in one or more of the five major categories of building and civil engineering works, namely “Buildings”, “Port Works”, “Roads & Drainage”, “Site Formation” and “Waterworks”
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Lam, Mr. Leung, Mr. Aaron Leung and Mr. Lui
“Construction Industry Council”	the Construction Industry Council of Hong Kong
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 16 March 2017 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) in respect of certain indemnities as more particularly set out in the paragraph headed “F. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 16 March 2017 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), regarding the non-competition undertakings as more particularly set out in the paragraph headed “Relationship with Controlling Shareholders and Non-competition Undertaking — Deed of Non-competition” in this prospectus
“Development Bureau”	the Development Bureau of the Government
“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 Government
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Frankstone Builder”	Frankstone Builder Engineering Limited (進誠建築工程有限公司), a company incorporated under the laws of Hong Kong with limited liability on 8 April 2014, which is wholly-owned by Mr. Hon Chi Ping, an Independent Third Party
“Frost & Sullivan” or “F&S”	Frost & Sullivan Limited, an independent market research agency
“Frost & Sullivan Report” or “F&S Report”	an industry report prepared by Frost & Sullivan which was commissioned by our Group in relation to, among others, the construction industry in Hong Kong
“Gazette”	the official publication of the Government for, among other things, statutory notices for public tenders
“GDP”	gross domestic product
“Government”	the government of Hong Kong

DEFINITIONS

“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” or “our Group” or “we” or “our” or “us”	our Company and its subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of its current subsidiaries, our Company’s current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Group A”	Group A of the relevant works category in the Contractor List with tender limit for contracts of value up to HK\$100 million. A Group A contractor means an approved contractor satisfying Group A’s qualification
“HK\$” or “HK Dollar(s)” and “cent(s)”	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
HK eIPO White Form	the application for Public Offer Shares to be issued in the applicant’s own name by submitting application online through the designed website at www.hkeipo.hk
HK eIPO White Form Service Provider	the HK eIPO White Form service provider designated by our Company, as specified on the designed website at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Concrete Repair and Waterproofing Association”	Hong Kong Concrete Repair and Waterproofing Association Limited, a voluntary association dedicated to promoting and developing the practice of (i) good concrete repair and good waterproofing practices; (ii) the correct repair and waterproofing materials and techniques; (iii) advancing education and technical training in the concrete repair; and (iv) waterproofing industry and representing members in matters of common interest

DEFINITIONS

“Hong Kong Construction Association”	Hong Kong Construction Association Limited, a voluntary association of construction companies in Hong Kong
“Hong Kong Council of Social Service”	Hong Kong Council of Social Service, a body corporate formed under the Hong Kong Council of Social Service Incorporation Ordinance (Chapter 1057 of the Laws of Hong Kong) on 9 March 1951
“Hong Kong Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Hong Kong Registered Contractors Association”	Hong Kong Registered Contractors Association Co., Limited, a company incorporated under the laws of Hong Kong on 12 December 2014
“Housing Authority”	the Hong Kong Housing Authority, a statutory body established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong) in Hong Kong, as amended, supplemented or otherwise modified from time to time
“Independent Third Party(ies)”	individual(s) or company(ies) who/which is/are independent of and not connected (within the meaning of the Listing Rules) with the Directors, chief executives and substantial shareholders of our Company and its subsidiaries or any of their respective associates as defined under the Listing Rules
“Issue Mandate”	the general unconditional mandate to issue Shares given to our Directors by our Shareholders, particulars of which are set out in the paragraph headed “A. Further Information About the Company — 4. Written resolutions of our Shareholders” in Appendix IV to this prospectus
“ISO”	an acronym for a series of management system standards published by the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland
“ISO 9001”	ISO 9001 is a member of ISO 9000 and ISO 9001:2015 is the current version of ISO 9001. ISO 9000 is a family of standards set by ISO for quality management systems when an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction

DEFINITIONS

“ISO 14001”	ISO 14001 is a member of ISO 14000 and ISO 14001:2015 is the current version of ISO 14001. ISO 14000 is a family of environmental management standards set by ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts
“Joint Bookrunners”	Ample Orient Capital Limited, Wealth Link Securities Limited and Opus Capital Limited and “Joint Bookrunner” means anyone of them
“Labour Department”	the Labour Department of the Government
“Latest Practicable Date”	13 March 2017, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
“Legislative Council”	the Legislative Council of Hong Kong
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, 7 April 2017, on which our Shares are listed and from which dealings in our Shares commence on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“main contractor”	a contractor who enters into a contract directly with a project developer or the client of a project, and is responsible for coordination, communication and execution to completion of the entire project works by delegating works to other contractors and supervising on-site until satisfactory completion of the entire project

DEFINITIONS

“Maintenance Scheme”	Financial Assistance for Maintenance Scheme, a government scheme to help preserve privately-owned graded historic buildings in Hong Kong from deterioration due to lack of maintenance by providing financial assistance in the form of grants to their owners for them to carry out minor maintenance works by themselves
“Milestone Builder”	Milestone Builder Engineering Limited (進階建築工程有限公司), (formerly known as Milestone Builder Engineering Limited (進階工程有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 5 November 2001, which is an indirect wholly-owned subsidiary of our Company
“Milestone Builder BVI”	Milestone Builder Limited, a company incorporated under the laws of the BVI with limited liability on 13 June 2016, which is a direct wholly-owned subsidiary of our Company
“Milestone Specialty”	Milestone Specialty Engineering Limited (進階專業工程有限公司), a company incorporated under the laws of Hong Kong with limited liability on 28 October 2011, which is an indirect wholly-owned subsidiary of our Company
“Minimum Wage Commission”	the independent statutory body established under Part 3 of the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Aaron Leung”	Mr. Leung Chin Hung Aaron (梁展鴻), one of our Controlling Shareholders
“Mr. Lam”, “Mr. K.H. Lam”	Mr. Lam Ka Ho (林嘉豪), an executive Director and one of our Controlling Shareholders
“Mr. Leung”, “Mr. K.F. Leung”	Mr. Leung Kam Fai (梁錦輝), an executive Director and one of our Controlling Shareholders
“Mr. Lui”	Mr. Lui Sum Wah (呂森華), one of our Controlling Shareholders
“NRMM Regulation”	Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)

DEFINITIONS

“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer, to be determined in the manner further described in the paragraph headed “Structure and Conditions of the Share Offer — Pricing of the Share Offer” in this prospectus
“Offer Share(s)”	the Public Offer Share(s) and the Placing Share(s), together where relevant, with any additional Share(s) issued pursuant to any of the Adjustment Options
“Offer Size Adjustment Option”	the option granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion, whereby our Company may be required to allot and issue up to 30,000,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover any excess demand in the Placing, subject to the terms of the Placing Underwriting Agreement
“OHSAS 18001”	an internationally recognised specification for occupational health and safety management systems to enable a company 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
“Over-allotment Option”	the option granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion, whereby our Company may be required to allot and issue up to 30,000,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price to cover, among other things, over-allocations in the Placing as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing”	the conditional offering of the Placing Shares at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) to selected professional, institutional and other investors, as further described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing Shares”	the 180,000,000 new Shares initially being offered by us for subscription at the Offer Price under the Placing subject to reallocation and the Adjustment Options as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters named in the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, the Sole Global Coordinator and the Placing Underwriters
“PRC”	the People’s Republic of China
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) in force before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, 29 March 2017 and in any event not later than Thursday, 30 March 2017, on which the Offer Price will be fixed for the purpose of the Share Offer
“Prime Builder”	Prime Builder Engineering Limited (建一工程有限公司), a company incorporated under the laws of Hong Kong with limited liability on 3 April 2013, which is an indirect wholly-owned subsidiary of our Company
“Prime Builder BVI”	Prime Builder Limited, a company incorporated under the laws of the BVI with limited liability on 13 June 2016, which is a direct wholly-owned subsidiary of our Company

DEFINITIONS

“Prime League”	Prime League Holdings Limited (加盟集團有限公司), a company incorporated under the laws of Hong Kong with limited liability on 8 July 2010, which is wholly-owned by Mr. Lam and Mr. Leung
“Public Offer”	the conditional offer of the Public Offer Shares for subscription by the members of public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 20,000,000 new Shares initially being offered for subscription under the Public Offer at the Offer Price, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the paragraph headed “Underwriting — Underwriters — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 20 March 2017 relating to the Public Offer to be entered into, among others, our Company, the Sole Global Coordinator and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“QMS”	quality management system, a formalised system that documents processes, procedures and responsibilities for achieving quality policies and objectives
“Regulation S”	Regulation S under the U.S. Securities Act
“Revitalisation Scheme”	Revitalising Historic Buildings Through Partnership Scheme, a government scheme to adaptively re-use suitable government-owned historic buildings
“Reorganisation”	the reorganisation arrangements undertaken by our Group in preparation for the Listing, which are described in more details in the section headed “History and Development” in this prospectus

DEFINITIONS

“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set out in the paragraph headed “A. Further Information About the Company — 4. Written resolutions of our Shareholders” in Appendix IV to this prospectus
“Repair and Restoration of Historic Buildings Category”	one of the 50 categories of specialist works on the Specialist List as kept by the Development Bureau
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 13 March 2017, the principal terms of which are summarised in the paragraph headed “E. Share Option Scheme” in Appendix IV to this prospectus
“Signature Project Scheme”	Signature Project Scheme, an one-off grant of HK\$100 million for each district reserved by the Government for projects to address the needs of the district and have visible and lasting impact in the community
“Sole Global Coordinator”	Ample Orient Capital Limited
“Spartan Engineering (Macau)”	Spartan Engineering (Macau) Limited (斯巴達工程(澳門)一人有限公司), a limited company incorporated in Macau on 17 April 2014, which is an indirect wholly-owned subsidiary of our Company
“Specialist List”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (認可公共工程物料供應商及專門承造商名冊), which comprises contractors who are approved by the Development Bureau for carrying out one or more of the 50 categories of specialist works

DEFINITIONS

“Speedy Engineering”	Speedy Engineering & Trading Company Limited (訊達工程貿易有限公司), a company incorporated under the laws of Hong Kong with limited liability on 11 November 2008, which is an indirect wholly-owned subsidiary of our Company
“Sponsor” or “Sole Sponsor”	Ample Capital Limited, a licensed corporation under the SFO to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the sole sponsor of the Listing
“Stabilising Manager”	Wealth Link Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement which may be entered into between Mr. Leung and the Stabilising Manager on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subcontractor”	a contractor who is appointed by the main contractor or another subcontractor and generally responsible for specific delegated works in a project
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Synda”	Synda Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 6 September 2016, which is a wholly-owned subsidiary of our Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as may be amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 31 March 2016 and the six months ended 30 September 2016
“Ton”	the metric ton, a unit of weight, with one metric ton equal to 1,000 kilograms or 2,204.6 pounds
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement

DEFINITIONS

“US\$” or “U.S. dollar(s)”	United States dollars, the lawful currency of the United States of America
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name
“WBDB”	the Works Branch Development Bureau (發展局工務科) of the Government, or where the context refers to any time prior to its establishment, the relevant predecessor government secretaries or department which undertook such public function
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

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.

All times and dates refer to Hong Kong local time and dates unless otherwise stated.

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Adjustment Options.

RISK FACTORS

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. Our Group's operations involve certain risks, many of which are beyond our control. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISK RELATING TO OUR BUSINESS

Our Group's cash flows may fluctuate due to payment practice applied to our projects, thus our cash flow position may be adversely affected

Our Group may incur net cash outflows at the early stage of carrying out our works when we are required to pay the setting up expenditures (such as purchase of materials) and/or our subcontractors prior to payment received from our customers. Our customers will pay progress payments after our works commence and after such works and payments have been confirmed and certified by our customers. Accordingly, our Group may experience net cash outflows to pay certain set-up expenditures and/or subcontractors' fees in which the respective progress payments may not be received for the same periods. If during any particular period of time, there exists too many projects which require substantial cash outflows while we have significantly less cash inflows during that period, our cash flow position may be adversely affected. For the three years ended 31 March 2016, our Group recorded positive net operating cash flow of approximately HK\$8.5 million, HK\$7.0 million and HK\$8.1 million, respectively and for the six months ended 30 September 2016, our Group recorded negative net operating cash flow of approximately HK\$3.2 million. For further details on our operating cash flow position, please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources — Cash flows" in this prospectus.

Failure to receive progress payment on time and in full, or that retention money is not fully released to us after expiry of the defect liability period may affect our liquidity position

We normally receive progress payments from our customers, either from the main contractor when we act as a subcontractor or from the employer where we act as a main contractor. We receive progress payments by reference to the value of the works completed. Generally, the value of the works completed is assessed by the officer designated by our customers or their representatives who will verify our progress claims, and we will issue an invoice for the amount of work completed. A portion of the contract fees, normally up to 5% of the contract sum, is generally withheld by our customers as retention money depending on the terms of the agreement with individual customers. Half of this retention money is generally released upon or shortly after practical completion and the remainder is released upon the end of the defect liability period. As of 31 March 2014, 2015 and 2016 and 30 September 2016, retention receivables of approximately HK\$14.3 million, HK\$20.8 million, HK\$23.5 million and HK\$22.5 million, respectively were retained by our customers. There can be no assurance that such payments or retention money will

RISK FACTORS

be made or released on time by our customers in the future. Any failure by our customers to make progress payment or release our retention money to us on a timely manner may have an adverse effect on our future liquidity position.

We have contingent liabilities which may adversely affect our Group's business, financial performance and results of operations

As at 30 September 2016, our Group provided guarantees of surety bonds for certain of our construction contracts, which amounted to approximately HK\$11.1 million. The surety bonds were given by bank or insurance company in favour of some of our customers as security for the due performance and observance of our obligations under the contracts entered into between us and such customers. If we fail to perform in accordance with the requirements of the contracts, our customers may demand the bank or insurance company to pay to them the sum or sums as certified by the architects. We will then become liable to compensate such bank or insurance company accordingly and our business, financial performance and results of operations may be adversely affected.

Our largest customer accounted for over 20%, and our five largest customers in aggregate accounted for over 65%, of our total revenue during the Track Record Period and any counterparty risk or decrease in projects secured from any one of them could affect our business, results of operations and financial results

Our largest customer accounted for approximately 26.0%, 33.0%, 23.0% and 35.7% of our total revenue, and our five largest customers in aggregate accounted for approximately 73.4%, 69.5%, 65.8% and 65.9% of our total revenue for the three years ended 31 March 2016 and the six months ended 30 September 2016, respectively. There is no assurance that these major customers will continue to use our services at fees acceptable to our Group or that our Group can maintain our relationship with them in the future. There is also no assurance that these major customers will be financially sound or that they will duly settle payment due to our Group in the future. In the event that these customers encounter financial difficulties or pose counterparty risk, and that our Group, as an unsecured creditor, is not able to recover any amount due from these customers, or is unable to retain these customers, or otherwise diversify our customer base, our business, results of operations, profitability and liquidity may be adversely affected.

Our Group is dependent on suppliers and subcontractors to implement certain contracts

Our largest construction materials supplier accounted for approximately 6.0%, 7.5%, 11.5% and 8.1% of our total purchases of construction materials and our five largest construction materials suppliers in aggregate accounted for approximately 22.6%, 26.5%, 37.4% and 30.6% of our total purchases of construction materials for the three years ended 31 March 2016 and the six months ended 30 September 2016, respectively. Our largest subcontractor accounted for approximately 6.1%, 6.1%, 7.2% and 7.2% of our total subcontracting charges and our five largest subcontractors in aggregate accounted for approximately 20.8%, 21.2%, 26.6% and 28.9% of our total subcontracting charges for the three years ended 31 March 2016 and the six months ended 30 September 2016, respectively.

RISK FACTORS

As our Group procures supplies and engages subcontractors on a project-by-project basis and does not usually enter into any long term contract with our major suppliers and subcontractors, there is no assurance that we can obtain supplies and services from them at prices acceptable to our Group or that we can maintain our relationships with them in the future. If any of our major suppliers or subcontractors is unable to provide the required supplies or services to our Group and we are unable to obtain replacement suppliers or subcontractors on similar or more favourable term to us, or if the costs for suppliers or subcontractors to provide the required supplies or services increase substantially, our business, results of operations, profitability and liquidity may be adversely affected.

We may be liable for the performance of our subcontractors

We have established a system with respect to the selection and control of our subcontractors, including maintaining a regularly updated internal list of our subcontractors, having our own internal registered safety officers to monitor the work safety of the project work sites and entering into agreements with our subcontractors to set forth each party's rights and obligations. During the Track Record Period, our five largest subcontractors in aggregate accounted for approximately 20.8%, 21.2%, 26.6% and 28.9% of our total subcontracting charges, respectively. Nevertheless, there is no assurance that we are able to monitor the performance of these subcontractors as directly and efficiently as with our own staff. We may experience deterioration in the quality or delivery of our projects and may also incur additional costs due to delays by our subcontractors. We may be subject to liability under the relevant contract for our subcontractor's performance. These events may adversely impact upon our profitability, financial performance and reputation.

Our subcontractors may be exposed to charges in relation to violation of safety, environmental and/or employment laws and regulations which may affect their renewal of relevant licences or may even lead to revocation of their licences. If this happens during our projects, we will have to appoint another subcontractor for replacement and will incur additional costs.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may be subject to prosecution as primary obligor by the relevant authorities. For instance, under the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), if a subcontractor employs an illegal immigrant on a construction site, the construction site controller (including the principal or main contractor and the subcontractor) may be found to have committed an offence. Moreover, pursuant to the Employment Ordinance, 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 on any work which the subcontractor has contracted to perform, if such wages are not paid within the specified period. Our reputation, operations and financial performance may thereby be adversely affected if any of our subcontractors violate any health and safety laws or regulations, or their obligations to pay their employees.

RISK FACTORS

Delay in completion of our projects could materially affect our revenue, operational cash flows, financial performance and reputation and may result in payments of liquidated damages

We are generally paid according to the percentage of work completed, and billings are based on progress payment application. Any delay in a project may require us to pay liquidated damages and may affect our billings, revenue, operational cash flows, financial performance. We are also generally required to pay our suppliers and subcontractors notwithstanding the delay in the project if the relevant purchase orders and service requests have been fulfilled, subject to any retention money to be retained by us until the end of the defect liability period. A delay or cancellation of projects could also result in idle or excess manpower resources if replacement projects cannot be secured on a timely basis. Project delay can be due to various factors, including but not limited to, delay by a subcontractor or factors attributable to the main contractor or project employer of the project. If the delay is caused by us, we may be liable to pay our customers liquidated damages as stipulated in our contracts with such customers and our reputation could also be materially affected.

Our Group determines the price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved. Inaccurate estimation may adversely affect our Group's financial results

As contracts from public and private customers are normally awarded through successful tendering and acceptance of quotation offer, our Group needs to estimate the time and costs based on the tender documents or quotation requests provided in order to determine the tender price or quotation before submitting the tender or providing the quotation. There is no assurance that the actual execution time and costs of the project would not exceed our Group's estimation.

The actual time taken and costs involved in completing contracts undertaken by our Group may be adversely affected by a number of factors, such as shortage or cost escalation of materials and labour, adverse weather conditions, additional variations to the work plans requested by our customers, delays in obtaining any required permits or approvals, disputes with our subcontractors or other parties, accidents, changes in the Government's and our customers' priorities and any other unforeseen problems and circumstances. Any of the aforementioned factors may give rise to delays in completion of works or cost overruns or even termination of projects by our customers, which in turn may adversely affect our Group's profitability and liquidity.

Further, delay in the process of obtaining specific licences, permits or approvals from the Government agencies or authorities in carrying out any particular project could also increase the costs or delay the progress of a project. Failure to complete construction according to specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delay or failure to complete and/or termination of a project by our customers may cause our revenue or profitability to be lower than what we have expected.

RISK FACTORS

Failure to obtain continuity of our order book for new projects, or termination of existing awarded projects by our customers, could materially affect our financial performance

Our Group provides (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings to our customers generally on a project-by-project basis, and the duration of our projects is normally less than two years. Our revenue from our projects is not recurring in nature. We cannot guarantee that we will continue to secure new projects from our customers after the completion of the existing awarded projects. Further, we cannot guarantee that our customers will not terminate the existing awarded projects and that we will receive full payments from such customers in respect of the services rendered by us upon project termination.

Our Group has to go through a competitive tendering or quotation process to secure new project works. In the event we are unable to maintain business relationship with our existing customers or unable to price our tender or quotation competitively, or our customers elect to terminate the existing awarded projects for whatever reasons, our business and hence our revenue could be adversely affected. Our Directors believe that it is critical for our Group to secure new projects of similar or larger value and pay close attention to the needs of our customers on a continuous basis, and should we fail to do so, the financial performance of our Group may be adversely affected.

The profit margin of our project depends on the terms of the contract and may not be regular and consistent

Our Directors believe that the profit margin of each project significantly depends on various factors, such as the terms of the contracts, the length of the contractual period, the efficiency of implementation of the contractual works and the general market conditions which are beyond our Group's control. As a result, the income flow and the profit margin of each project, which are largely dependable on the terms of the work contracts, may not be entirely regular and consistent and there is no assurance that the profitability of a project can be maintained or estimated at any level. If the profit margin of the project significantly deviates from the estimation of our Directors, our Group's financial position could be adversely affected.

Our Group's business could be affected by the fluctuation in the price of construction materials

Construction materials costs represent a significant portion of our cost of sales. During the Track Record Period, construction materials costs amounted to approximately HK\$25.6 million, HK\$41.9 million, HK\$47.5 million and HK\$11.6 million, respectively, representing about 15.9%, 17.1%, 15.5% and 10.0% of our cost of sales, respectively.

We generally prepare tender proposals based on our estimated project costs in accordance with the tender documents or quotation requests provided to us. However, the actual construction material costs will not be determined, until after we have entered into agreements with our

RISK FACTORS

suppliers. Accordingly, any material fluctuations in the construction materials costs between the time we submit the tender or provide the quotation and the time we make order for construction materials may affect our profitability.

Our Group recorded negative net operating cash flow for the six months ended 30 September 2016 and our liquidity and financial condition may be materially and adversely affected if our Group records negative net operating cash flow in the future

During the Track Record Period, our operating cash flows mainly represented our Group's revenue from building construction projects, alteration, addition, fitting-out works and building services projects, and repair and restoration of historic buildings projects. For the three years ended 31 March 2016, our Group recorded positive net operating cash flow of approximately HK\$8.5 million, HK\$7.0 million and HK\$8.1 million, respectively and for the six months ended 30 September 2016, our Group recorded negative net operating cash flow of approximately HK\$3.2 million. For further details on our operating cash flow position, please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources — Cash flows" in this prospectus.

Our Group's liquidity and financial condition may be materially and adversely affected should our future net operating cash flow become negative, and we can give no assurance that our Group will have sufficient cash from other sources to fund the operations of our Group. If our Group resorts to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that our Group will be able to obtain the financing on terms acceptable to us, or at all.

Negative net operating cash flow requires our Group to obtain sufficient external financing to meet the financial needs and obligations of our Group. If our Group is unable to do so, our Group will be in default of our payment obligations and may not be able to implement our business strategies or expansion as planned. As a result, the business, financial condition and results of operations of our Group will be materially adversely affected.

Our Group's success significantly depends on our Directors, our senior management team and certain key personnel and our ability to attract and retain additional technical and management staff

Our Group's success depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Further, our continued growth is also subject to a number of factors, one of which is the contribution by our key personnel. Our executive Directors are particularly important to us, with each of them possessing over 14 years of experience in the construction industry. Further information about their experience is set out in the section headed "Directors, Senior Management and Staff" in this prospectus. If any of our executive Directors or senior management members ceases to be involved in the management of our Group in the future and our Group is unable to find suitable replacement in a timely manner, there could be an adverse impact on the business, results of operations and profitability of our Group.

RISK FACTORS

As a minimum requirement for undertaking site formation works in Hong Kong, a contractor is required to be registered under the Buildings Ordinance as a registered specialist contractor in the site formation category. One of the requirements to apply for the said registration is to have a minimum of one authorised signatory.

During the Track Record Period, the authorised signatory responsible for site formation works undertaken by our Group is Mr. Poon Ping Wong. Mr. Poon obtained a bachelor of science degree in civil engineering from the National Cheng Kung University in Taiwan in 1974 and a master of engineering in civil engineering from the University of Ottawa in Canada in 1977. Mr. Poon has over 20 years of experience in civil and geotechnical engineering. He started providing services to our Group on a consultancy basis since 2006 and became an employee of our Group on 1 July 2016. If Mr. Poon decides to terminate his employment with our Group and no suitable replacement can be found in time, we will have to suspend all our operations relating to site formation works, which could adversely affect our business, results of operations, profitability and reputation. During the Track Record Period, we had only undertaken one site formation works project and such project was undertaken primarily for us to satisfy one of the renewal requirements for our qualification as a registered specialist contractor in the site formation category.

Inability to renew our existing qualifications, licences and permits or comply with new requirements could materially affect our operations and financial performance

We are required to maintain certain qualifications, licences and permits to conduct our business operations. Please refer to the paragraph headed “Business — Major Licenses, Qualifications and Certifications” in this prospectus for further details. To maintain such qualifications, licences and permits, we must comply with the requirements, restrictions and conditions imposed by various Government departments and authorities. For instance, contractors registered with the WBDB are subject to a regulatory regime which is put in place to ensure contractors’ standards of financial capability, expertise, management and safety. Please see the section headed “Laws and Regulations” in this prospectus for further information.

If we fail to comply with any of these regulations, our qualifications, licences and permits could be temporarily suspended or even revoked, or the renewal of our qualifications, licences and permits upon expiry of their original terms may be delayed or refused. In such event, our capability to undertake relevant works may be directly impacted and the operations and financial performance of our Group may be adversely affected.

Construction dispute or litigation may materially affect our Group’s business, operations and financial results

We may receive claims or complaints in respect of various matters from our customers, main contractors, subcontractors, the Government, staff and other parties involved in our projects from time to time. For instance, complaints may be in relation to late completion of works and delivery of substandard works, and claims may include personal injuries and/or employees’ compensation in relation to work accidents or compensation for late completion. As at the Latest Practicable Date,

RISK FACTORS

there was one outstanding employees' compensation claim and one outstanding personal injury claim. Please refer to the paragraph headed "Business — Litigation, Arbitration and Potential Claims" in the prospectus for further details.

In some of the contracts entered into between our Group and our customers, there are variation clauses written in the contract requiring us to perform certain variation works, which are not included in the original design layout specification. Where the variation works are the same or similar to the works prescribed in the contract, the schedule of rates in the contract usually would apply to the variation works. However, if the variation works are very different from the works prescribed in the contract, our customers and our Group will negotiate adjustment in contract price. In the event that our Group disagrees on the adjustment in contract price fixed by our customers with respect to the variation works, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from subcontractors, our financial position may be adversely affected.

According to the contractor management handbook and technical circular issued by the Development Bureau, in the event that the construction dispute or litigation is due to a serious incident or relates to a conviction for site safety or environmental offences, the relevant authorities may impose various forms of regulating actions against the contractors. Such regulating actions include warning letter, independent safety audit, improvement proposal and voluntary or mandatory suspension from tendering. In case our Group is subject to any successful claims for defective works, our Group may not be able to renew its licences. In such case, our Group's reputation, tendering ability and operations may be adversely affected.

Failure to implement safety measures on project sites may lead to occurrence of personal injuries, property damages or fatal accidents

In the course of our operations, we require our subcontractors' employees to adhere to and implement all the safety measures and procedures as stipulated in our safety manual. Although we have closely monitored and supervised our employees and those of our subcontractors in implementation of all such safety measures and procedures during execution of works, we cannot guarantee that there will not be any violations of procedures, rules, laws or regulations by our employees and those of our subcontractors. In the event that our employees and those of our subcontractors fail to implement the safety measures and procedures on our project sites, there may be more occurrences and increased severity of personal injuries, property damages or fatal accidents, which may adversely affect the financial position of our Group to the extent not covered by our insurance policy and may even result in our licences and permits not being renewed or revoked.

In addition, there is no assurance that the Government will not introduce new health and safety related ordinances and regulations in the future and that our Group will be able to comply with such new ordinances and regulations. Any failure to comply with such new ordinances or regulations may have an adverse effect on the operations of our Group.

RISK FACTORS

We may be exposed to claims arising from latent defects liability

Although we maintain contractors' all risks insurance, such insurance generally covers only the construction period. Therefore, we may face claims arising from latent defects, that are existing but not yet discovered, developed or visible, found in the works constructed by us or our subcontractors. If the latent defects are due to the unsatisfactory performance of our subcontractors, we will normally require the relevant subcontractors to make good the defective works during the defect liability period. However, if the project employer still finds the work of the subcontractors unsatisfactory, we may face claims and the profitability and financial performance of our Group may be adversely affected.

We are subject to certain types of liabilities that are not insured

During the Track Record Period, our Group maintained insurance coverage against, among others, (i) employees' compensation insurance; (ii) contractors' all risks insurance; (iii) office protection insurance; and (iv) motor vehicle insurance. Certain types of risks or liabilities (such as liabilities arising from terrorism activities) are generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. If an uninsured liability arises, we may suffer losses which may adversely affect the financial performance of our Group. Further, there can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers.

Our labour may launch industrial actions or strikes to demand higher wages and/or shorter working hours

Construction works are usually divided into various different trades. Each trade requires specialised labour of its own and cannot be easily replaced by labour of another trade. As such, industrial action of any one trade will disrupt our construction progress.

There is no assurance that trade unions or trade workers will not launch any industrial actions or strikes to demand higher wages and/or shorter working hours in the future. If we meet their demand, we will incur additional labour costs which would in turn adversely affect our profitability. Further, the completion of our projects may be delayed and our customers may claim against us for breach of contracts. In either case, these industrial actions or strikes may have an adverse impact on our profitability and results of operations.

Our Group's projects with private sectors in Hong Kong is subject to higher inflation risk

Our projects are in general secured through successful tendering or acceptance of quotation. For each tendering or quotation request, we have to submit a tender proposal or provide a quotation, which includes, among other things, a tender or quotation.

Unlike contracts with the Government, which usually contain a contract price fluctuation clause allowing adjustment of the contract price as a result of change in certain costs, private sector projects in general do not have such contract price adjustment mechanism. As such, once the tender

RISK FACTORS

price or quotation is fixed and accepted, the contractor is obliged to complete the private sector contracts at such fixed price. The contractor has to bear any possible costs increase due to inflation or adverse weather conditions. Our Directors consider that the inflation risks associated with private sector projects are higher than those with the Government.

We are subject to interest rate risk

As at 30 September 2016, our Group had interest-bearing bank borrowings of approximately HK\$29.5 million. Our Group has not hedged against interest rate risks. Should there be an increase in interest rate, our interest expenses may increase and our cash flows and profitability may be adversely affected.

We face risks in relation to the collectability of our trade receivables

We issue invoice to our customer for works completed by us. A credit period of 30 days is normally granted by us to our customers. However, there can be no assurance that our customers will settle our invoices on time and in full. As at 31 March 2014, 2015, 2016 and 30 September 2016, we recorded trade receivables (excluding retention receivables) of approximately HK\$27.2 million, HK\$37.5 million, HK\$34.9 million and HK\$24.7 million, respectively, of which approximately HK\$7.6 million, HK\$13.0 million, HK\$7.5 million and HK\$6.8 million, respectively were past due but not impaired. For the three years ended 31 March 2016 and the six months ended 30 September 2016, our trade receivables turnover days (excluding retention receivables) were approximately 55.7 days, 40.8 days, 36.6 days and 37.6 days, respectively, which were longer than the credit period granted by us to our customers. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions.

RISK RELATING TO THE INDUSTRY IN WHICH WE OPERATE

A reduction in building construction works, alteration, addition, fitting-out and building works and repair and restoration of historic buildings works in Hong Kong could materially and adversely affect our results of operation and financial performance

During the Track Record Period, all of our revenue was derived in Hong Kong. The future growth and level of profitability of the construction industry in Hong Kong depends on, among other factors, the availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the spending patterns of the Government for the construction industry, the investments of property developers and the general conditions and prospects of local economy. These factors may affect the availability of the building construction works, alteration, addition, fitting-out and building works, and repair and restoration of historic buildings works from our customers. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial performance could be severely affected.

RISK FACTORS

Our Group's business could be adversely affected by the Government's level of spending on public works

During the Track Record Period, approximately 24.7%, 14.4%, 14.4% and 12.3% of our Group's revenue, respectively, was generated from provision of services to public customers. Some public work projects are non-recurring in nature, and the level of Government's spending on public works may change from year to year. Accordingly, any change or significant delay in the level of spending on public works by the Government may affect the business and operation results of our Group. In the event that the Government reduced its level of spending on public works and our Group fails to secure business from other customers, the business and profitability of our Group could be adversely affected.

Our Group relies on a stable supply of labour to carry out our projects

Our Group's works and the works of our subcontractors are labour intensive in nature, and require a number of workers with different skills. As at 31 March 2014, 2015, 2016, 30 September 2016 and the Latest Practicable Date, the total number of employees of our Group were 174, 155, 251, 292 and 345, respectively. For the three years ended 31 March 2016 and the six months ended 30 September 2016, the employee benefit expenses (including Directors' emoluments) of our Group amounted to approximately HK\$28.4 million, HK\$46.6 million, HK\$65.5 million and HK\$37.2 million, respectively. During the Track Record Period, we have not encountered any significant difficulties in recruiting labour to work for our projects. However, there is no guarantee that the supply of labour and/or average labour costs will be stable in the future. If we and our major subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and within budget and our operations and profitability may be adversely affected.

As at the Latest Practicable Date, the statutory wage level fixed under the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) is at HK\$32.5 per hour. As at the Latest Practicable Date, the Chief Executive in Council has adopted the recommendation of the Minimum Wage Commission to raise the statutory wage level to HK\$34.5 per hour. Subject to approval by the Legislative Council, the revised statutory wage level will take effect from 1 May 2017. In view of that, extra labour costs are expected. According to the 2015 Report on Annual Earnings and Hours Survey by Census and Statistics Department of Hong Kong, the median hourly rate of employees in the construction industry for May to June 2015 is HK\$83.0. In the event that there is a substantial increase in the payroll of construction workers according to the annual salary review by the Hong Kong Construction Industry Employees General Union, our Group may have to incur substantial extra labour costs. If our Group fails to transfer the increased cost burden to our customers, the profitability of our Group could be adversely affected.

RISK FACTORS

Adverse weather conditions in Hong Kong and other construction risks may severely disrupt our business and operations and may have a material adverse impact on our financial performance and results of operations

As many of our Group's projects are undertaken outdoor, the operations of our Group may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, tropical cyclones and continuous rain which may cause difficulties to our Group in completing our projects on schedule.

In addition, we are subject to other construction risks such as fire and suspension of water and electricity supplies which may not only affect our work progress but also pose threats to our properties kept at the project sites.

Our Group operates in a competitive industry and failure to compete efficiently could materially and adversely affect our business

The construction industry in Hong Kong is competitive. As at the Latest Practicable Date, there were over 600 contractors registered on the register of general building contractors, according to the data from the Buildings Department. We compete directly with construction companies operating actively in Hong Kong that have been approved by the WBDB as Group A (probation) contractors under the "Buildings" category and as specialist contractor under the "Repair and Restoration of Historic Buildings" category and the "Electrical Installation" category and the contractors that have been approved by the Buildings Department to be registered as general building contractor, minor works contractor, or specialist contractor in the "Site Formation Works" category. In Hong Kong, new participants may enter the industry if they have the appropriate skills, relevant experience, necessary machinery and equipment, capital and requisite licences granted by the relevant regulatory bodies. We also face competition from other existing contractors. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

Our operations are subject to due compliance with a number of environmental protection laws, regulations and requirements

As a contractor engaging in the provision of construction services, our Group is required to comply with a number of environmental protection laws, regulations and requirements in Hong Kong including but not limited to the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong), the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), the Waste Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), the Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong), the Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) and the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong). Please refer to the section headed "Laws and Regulations" in this prospectus for further information. If our operations fail to meet the applicable

RISK FACTORS

environmental protection laws, regulations and requirements, we may be subject to fines or required to make remedial measures which may in turn have an adverse effect on the operations and financial performance of our Group. In addition, there is no assurance that the environmental protection laws, regulations and requirements will not be changed in the future. Should there be any change to the environmental protection laws, regulations and requirements applicable to our Group, we may incur additional costs in complying with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect the profitability of our Group.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong

Our performance and financial conditions depend on the state of economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for all of our Group's total revenue during the Track Record Period. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

The state of political environment in Hong Kong

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy under the principle of "one country, two systems" in accordance with the Basic Law of Hong Kong.

However, we are not in any position to guarantee the "one country, two systems" principle and the level of autonomy would be maintained as currently in place. Since our operations are located in Hong Kong, any change of existing political environment of Hong Kong may affect the stability of the Hong Kong economy, thereby affecting our results of operations and financial positions.

In late 2014, thousands of residents of Hong Kong engaged in civil disobedience protests. Activists protested outside key government buildings and occupied several major intersections, causing major disruption to traffic and trade in the affected areas. Any political and social instability in Hong Kong, if significant and prolonged, can have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

The Shareholders' interests in our Company may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the

RISK FACTORS

percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of existing Shareholders.

There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Offer Price

Prior to the Share Offer, there was no public market for our Shares. The Offer Price was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Share Offer.

In addition, we cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The liquidity and market price of our Shares following the Share Offer may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of major works contracts awarded could cause the market price of our Shares to change substantially. The securities markets may also from time to time experience significant price and volume fluctuations not related to a particular company's operating performance. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

Due to the time lag between pricing and trading of our Shares, there is a risk that the price of our Shares may fall before trading begins

The Offer Price will be determined on the Price Determination Date, which is expected to be on Wednesday, 29 March 2017. However, trading of the Shares on the Main Board will not commence until the Listing Date, which is expected to be on Friday, 7 April 2017. During this period, investors may not be able to sell or otherwise deal in our Shares. Accordingly, holders of our Shares are subject to the risk that the Shares' price could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of the sale and the time trading begins.

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be

RISK FACTORS

located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in Appendix III to this prospectus.

Any sales by our Controlling Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the market price of our Shares

Upon completion of the Share Offer and the Capitalisation Issue, assuming that the Adjustment Options are not exercised, our Controlling Shareholders will in aggregate become interested in 600,000,000 Shares, representing 75% of the enlarged issued share capital of our Company. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. There is no assurance that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after completion of the Share Offer. We cannot predict the effect, if any, of any future sales of Shares by any Controlling Shareholders, or the availability of Shares for sale by any Controlling Shareholders may have on the market price of our Shares. Sales of substantial amounts of Shares by any Controlling Shareholders or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

There is no guarantee that dividends will be declared in the future

The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles, applicable laws and other relevant factors. There can be no assurance that we will be able to declare or distribute any dividend or at all in the future. The dividend policy is subject to review by our Directors at any time and our Company may determine not to pay any dividends as a result of such review.

Granting options under the Share Option Scheme may affect our Group's result of operations and dilute Shareholders' percentage of ownership

Our Company may grant share options under the Share Option Scheme in the future. The subscription price of the options will be determined by reference to the Share Option Scheme, which may adversely affect our Group's results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in dilution to the percentage of ownership of our Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the major terms of the Share Option Scheme, please see the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

RISK FACTORS

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

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

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

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our contracts on hand;
- our capital expenditure and future capital requirements;
- our ability to identify and successfully take advantage of new business development opportunities;
- our ability to control costs;
- our dividend policy;
- our prospective financial information; and
- changes to the regulatory and operating conditions in the industry and market in which we operate.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations in Hong Kong relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;

FORWARD-LOOKING STATEMENTS

- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section “Risk Factors” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. 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.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which comprises the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Share Offer is managed by the Sole Global Coordinator. The Placing is expected to be underwritten by the Placing Underwriters, pursuant to the terms of the Placing Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or around Wednesday, 29 March 2017 (Hong Kong time) and in any event no later than Thursday, 30 March 2017. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction 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. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the U.S., except in compliance with the relevant laws and regulations of such jurisdiction.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

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

Prospective applicants for 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 OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any share options which may be granted under the Share Option Scheme).

None of our Shares or loan capital listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained in Hong Kong by our Company's branch share registrar and transfer office, Tricor Investor Services Limited. Our principal register of members

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

will be maintained by our Company's principal share registrar in the Cayman Islands. Dealings in Shares registered in our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the vendor on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares. Only Shares registered on our Hong Kong register of members may be traded on the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult your professional advisers. None of our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange 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 on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

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

ADJUSTMENT OPTIONS

Details of the Offer Size Adjustment Option and the Over-allotment Option are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 7 April 2017.

The Shares will be traded in board lots of 10,000 Shares each.

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.

WEBSITE

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

LANGUAGE

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
--

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. LEUNG Kam Fai (梁錦輝)	Flat F, 39/F, Tower 1 Park Towers 1 King's Road Tin Hau, Hong Kong	Chinese
Mr. LAM Ka Ho (林嘉豪)	Flat 2208, 22/F, Block 49 Heng Fa Chuen Chai Wan, Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Mr. POON Man Hong (潘民康)	Flat 15, 8/F 75 Kok Cheung Street Tai Kok Tsui, Kowloon	Chinese
Mr. KEUNG Kwok Hung (姜國雄)	Flat C, 9/F Panorama Gardens 103 Robinson Road Mid-Levels, Hong Kong	Chinese
Ms. LAU Suk Han Loretta (劉淑嫻)	Flat A, 7/F Magazine Heights, 17 Magazine Gap Road Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Ample Capital Limited

Unit A, 14/F
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong
*(A licensed corporation carrying on
Type 4 (advising on securities),
Type 6 (advising on corporate finance) and
Type 9 (asset management) regulated activities
as defined under the SFO)*

Sole Global Coordinator

Ample Orient Capital Limited

Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

Joint Bookrunners

Ample Orient Capital Limited

Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

Wealth Link Securities Limited

Unit B1, 5/F Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Opus Capital Limited

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

Co-Managers

Aristo Securities Limited

Room 101, 1/F, On Hong Commercial Building
145 Hennessy Road
Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

China-Hong Kong Link Securities Company Limited

17/F
80 Gloucester Road
Wan Chai
Hong Kong

Convoy Investment Services Limited

21/F, Tesbury Centre
24–32 Queen’s Road East
Wan Chai
Hong Kong

Head & Shoulders Securities Limited

Room 2511, 25/F, Cosco Tower
183 Queen’s Road
Hong Kong

Quam Securities Company Limited

18–19/F, China Building
29 Queen’s Road
Central
Hong Kong

Financial Adviser

Odysseus Capital Asia Limited

Suite 7B, Wyndham Place
40-44 Wyndham Street
Central
Hong Kong

Legal advisers to our Company

as to the Hong Kong Law

CFN Lawyers

in association with

BROAD & BRIGHT

27th Floor, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong
(Solicitors of Hong Kong)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
--

	<i>as to the Cayman Islands Law</i> Appleby 2206–19, Jardine House 1 Connaught Place Central, Hong Kong <i>(Cayman Islands attorneys-at-law)</i>
Legal advisers to the Sponsor and the Underwriters	<i>as to the Hong Kong Law</i> Howse Williams Bowers 27/F, Alexandra House 18 Chater Road Central, Hong Kong <i>(Solicitors of Hong Kong)</i>
Auditor and Reporting accountant	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince’s Building Central Hong Kong
Industry consultant	Frost & Sullivan Limited Unit 8, 26/F No. 9 Queen’s Road Central, Hong Kong
Compliance adviser	Ample Capital Limited Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central, Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	14/F, 9 Po Lun Street Lai Chi Kok, Kowloon Hong Kong
Company's website	<u>http://milestone.hk</u> <i>(information on the website does not form part of this prospectus)</i>
Company secretary	Mr. Wong Chi On <i>Certified Public Accountants</i> 14/F, 9 Po Lun Street Lai Chi Kok, Kowloon Hong Kong
Authorised representatives	Mr. Leung Kam Fai Flat F, 39/F, Tower 1 Park Towers 1 King's Road Tin Hau, Hong Kong Mr. Lam Ka Ho Flat 2208, 22/F, Block 49 Heng Fa Chuen Chai Wan, Hong Kong
Audit committee	Mr. Keung Kwok Hung (<i>Chairman</i>) Ms. Lau Suk Han Loretta Mr. Poon Man Hong
Remuneration committee	Mr. Keung Kwok Hung (<i>Chairman</i>) Mr. Leung Kam Fai Mr. Poon Man Hong
Nomination committee	Mr. Poon Man Hong (<i>Chairman</i>) Mr. Leung Kam Fai Mr. Keung Kwok Hung

CORPORATE INFORMATION

**Cayman Islands principal share register
and transfer office**

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

**Hong Kong Branch Share Registrar
and transfer office**

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal banks

Shanghai Commercial Bank Limited
G28 Franki Centre
320 Junction Road
Kowloon Tong
Kowloon
Hong Kong

Bank of China (Hong Kong) Limited
Kowloon West Commercial Centre
9/F, BOC Mongkok Commercial Centre
589 Nathan Road
Mongkok
Kowloon
Hong Kong

Nanyang Commercial Bank Limited
Corporate Business — New Territories West
Units 1007 & 1008
10/F,
KOLOUR Tsuen Wan I
68 Chung On Street
Tsuen Wan
New Territories

INDUSTRY OVERVIEW

This section contains certain information which is derived from a report we commissioned from Frost & Sullivan, an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and 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. While we have exercised reasonable care in compiling and reproducing such information from official government publications, it has not been independently verified by our Company, our Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters or any other parties involved in the Share Offer. The information from official government publications may not be consistent with the information available from other sources within or outside Hong Kong. Our Company, our Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters or any other parties involved in the Share Offer do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications.

SOURCE OF INFORMATION

We commissioned an independent professional market research company, Frost & Sullivan, to conduct an analysis of construction industry (including building construction services, alteration, addition and fitting-out building services and repair and restoration of historic buildings) in Hong Kong for the period from 2010 to 2020. Frost & Sullivan is a growth partnership company which provides growth partnership and consulting, events and training services worldwide. The services it offers include customer research, growth strategy development and implementation and marketing strategy consulting across multiple industries with over 40 offices around the world. Frost & Sullivan charged us a total fee of approximately HK\$600,000 for the preparation and the use of the Frost & Sullivan Report, which our Directors consider to reflect market rates.

The information contained in the Frost & Sullivan Report is derived by data and intelligence gathering such as: (i) secondary research, which sources are from Frost & Sullivan in-house research, industry report, market database, trade journals, industry literature, and annual report; (ii) primary research, including in-depth telephone and face to face interviews, and experienced industry expert; and (iii) information from authorised organisations regarding the market size and the market share of key market players. Frost & Sullivan adopts multi-sources methodologies to build up industry data. Initiated from secondary research as a start point, they conducted interviews with industry participants across the industry chain, leading them to reach a market consensus.

INDUSTRY OVERVIEW

The base year of F&S Report is 2015 and the forecast period is from 2016 to 2020. However, in the September 2016, some of the macro figures of 2015 are not available from public statistical sources. Frost & Sullivan used the latest information available (e.g. 2014) or made estimations based on past years' trend. Methodology integrates several forecasting techniques with the market engineering measurement-based system. It relied on the expertise of its analyst team in integrating the critical market elements investigated during the research phase in preparing the Frost & Sullivan Report.

ASSUMPTIONS AND PARAMETERS USED IN FROST & SULLIVAN REPORT

The following assumptions were made in the Frost & Sullivan Report:

- The social, economic and political environment is likely to remain stable.
- Key industry drivers are likely to continue to affect the market over the forecast period from 2016 to 2020. For the projection of total market size, Frost & Sullivan plotted available historical data against macroeconomic data as well as data with respect to related industry drivers.

RELIABILITY OF THE INFORMATION AND FUTURE FORECAST IN THE F&S REPORT

We are of the view that sources of information used in this section, which are extracted from the F&S Report, are reliable and not misleading as Frost & Sullivan is an independent market research company with extensive experience in their profession. Some of the analytical conclusions extracted from the F&S Report cover future forecasts. We consider the future forecasts, and the associated major bases and assumptions to be reliable, accurate and not misleading after taking into account that Frost & Sullivan is an independent market research company with extensive experience in their profession. Our Directors confirm that, to the best of their knowledge and after taking reasonable care, there is no material adverse change in market information contained in this section since the finalisation of the F&S Report which may qualify, contradict or have an impact on the information in this section.

NO ADVERSE CHANGE IN MARKET INFORMATION

Our Directors confirm that, to the best of their knowledge, after taking reasonable care as at the date of this prospectus, there is no material adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section.

INDUSTRY OVERVIEW

MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

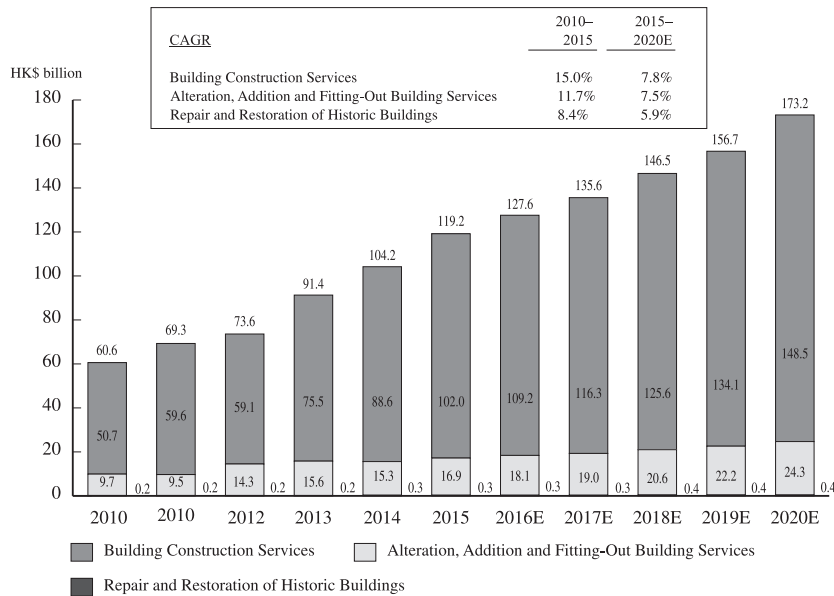
In recent years, Hong Kong experienced a stable increase in nominal GDP from HK\$1,776.3 billion in 2010 to HK\$2,402.5 billion in 2015 at a CAGR of 6.2%. The increase was mainly attributed to prudent development of the tertiary industry including finance, tourism, etc. It is anticipated that the nominal GDP will continue to increase at a stable level in coming years, at a CAGR of 4.7% from 2015 to 2020.

The Hong Kong per capita GDP experienced an increase from HK\$251,900 in 2010 to HK\$328,600 in 2015 at a CAGR of 5.5%. The increase was mainly attributed to prudent increase of the Hong Kong GDP. It is expected that the per capita GDP will keep increasing stably in coming years, at a CAGR of 4.0% from 2015 to 2020. The growth rate will fall behind as compared to former years due to the slowdown of the Hong Kong GDP growth rate.

MARKET SIZE AND GROWTH RATES BY SEGMENTS

The total market size of the construction market increased from HK\$60.6 billion in 2010 to HK\$119.2 billion in 2015 at a CAGR of 14.5%. Among the three segments, new building construction has experienced the strongest growth, increased from HK\$50.7 billion in 2010 to HK\$102.0 billion in 2015 at a CAGR of 15%. The increase in the past years was primarily due to the rising demand for residential units and public infrastructure projects. Given the stable economic growth and the continued investment in public infrastructure, the size of the construction market is expected to reach HK\$173.2 billion in 2020 at a CAGR of 7.8% from 2015 to 2020.

Market size and growth rates by segments, 2010–2020E



Source: Hong Kong Census and Statistics Department, Hong Kong, Frost & Sullivan

INDUSTRY OVERVIEW

Overall trend

The PRC government has always been trying to deepen the economic cooperation between Hong Kong and mainland China so as to achieve economic integration. As a result of such cooperation, Hong Kong's transportation, public facilities, residential and commercial areas are going to endure increasing stress and burden because of the consistent high volume visitor inflow. The demand for construction is therefore estimated to increase in anticipation of the expected new constructions for relieving the overloaded resources of the Hong Kong society. Although Hong Kong's macro economy has slowed down in 2015, it is anticipated that the construction industry in Hong Kong will reveal great growing potential with the cooperation with mainland China.

In addition, construction and fitting-out works are merely the execution part of the entire project, which is still far from satisfying clients' overall demand. Under the intense pressure from fierce competition and continuous pursuit of margin rate, construction companies are extending their service scope from focusing solely on execution work to offering integrated one-stop solutions including intellectual design, physical products and maintenance services. This will expand business scope and decrease communication cost. Moreover, comprehensive services offer clients a more convenient option to run quality control.

Building construction services

Given the export-oriented economic nature, international image and duty-free advantage, Hong Kong's retail industry has been playing a significant role in the macro economy. Despite the economic slowdown in 2014 and 2015, the global economy is expected to show a recovering trend based on a series of initiatives. National economic development in mainland China is expected to improve the Hong Kong market as well. Consequently the recovery of gross retail sales volume will initiate more demand for commercial buildings.

Alteration, addition and fitting-out building services

The residential buildings usually require renovation service once every 10 to 20 years. The renovation service frequency of commercial buildings is generally shorter, only around five to 10 years, as the public facilities of commercial buildings tend to be easily over-used. Moreover, with the deepened cooperation between Hong Kong and mainland China, the anticipated large visitor inflow to Hong Kong will increase the burden on Hong Kong's infrastructures and buildings, generating more demand for alteration, addition and fitting-out building service.

Repair and restoration of historic buildings

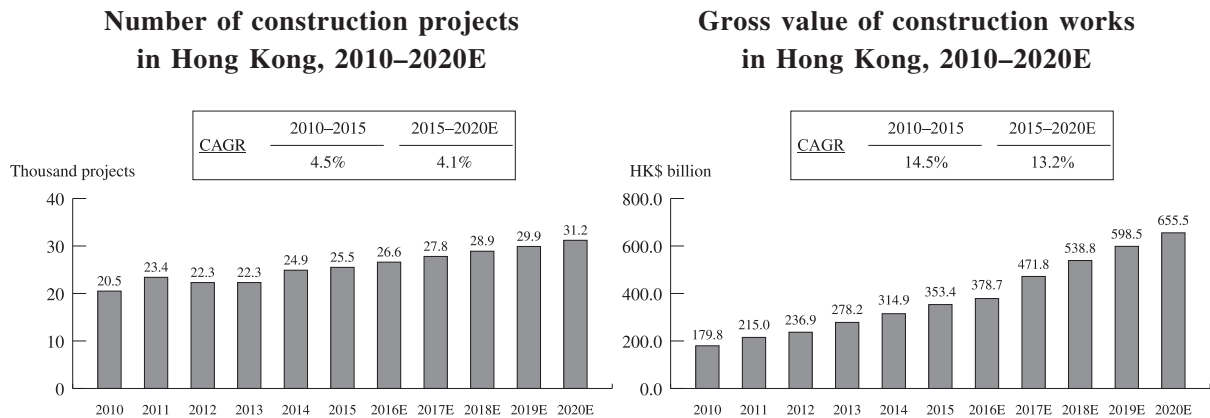
The 2016 Policy Address (2016年施政報告) announced the setting up of the Built Heritage Conservation Fund with HK\$500 million earmarked to implement the conservation of built heritage under the guidance of the Antiquities Advisory Board. Repair and restoration of historic buildings will therefore receive more funding from the Hong Kong government, which is expected to accelerate the development of this segment dramatically. Simultaneously, the Government has been launching policies in protecting, conserving and revitalising historical and heritage sites and buildings through various schemes, including the Revitalising Historic Buildings Through Partnership Scheme for government-owned historic buildings and Financial Assistance for Maintenance Scheme for privately-owned graded historic buildings. As the Commissioner for

INDUSTRY OVERVIEW

Heritage's Office states that they will continue to devote time and effort to heritage conservation and to the revitalisation of Hong Kong's historic buildings, which indicates a continuous growth driver for the segment of repair and restoration of historic buildings.

MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

With the continued growth in the economy in Hong Kong, the gross value of construction work increased from HK\$179.8 billion in 2010 to HK\$353.4 billion in 2015, at a CAGR of 14.5%. The accelerating growth in value of construction work implies a higher demand for property development. As a result, this also improved the demand for fitting-out services. The number of construction projects recorded an increase from 20,500 in 2010 to 25,500 in 2015, with a CAGR of 4.5%. The stable increase of number of construction projects was due to continuous property market development in Hong Kong.



Source: Census and Statistics Department, Hong Kong, Frost & Sullivan

Sub-segments of construction market

The construction market is mainly divided into three segments: (i) building construction services; (ii) alteration, addition and fitting-out building service; and (iii) repair and restoration of historic buildings.

Building construction services

High level of subcontracting is the industry norm whereby the main contractors subcontract the construction projects to other contractors. A substantial proportion of companies in the market are both developers and contractors. As a mature market, construction of new buildings contributes the largest proportion to the gross value of the whole construction industry.

Alteration, addition and fitting-out building services

In Hong Kong, a majority of the alteration, addition and fitting-out works are conducted for private properties, including hotels, residential properties and offices. This market is characterised by a large number of small-sized companies with the large-sized fitting-out companies positioning themselves as integrated solution providers by expanding their services to design, project management and supervision, etc.

INDUSTRY OVERVIEW

Repair and restoration of historic buildings

This market segment has been growing since 2008 when the heritage conservation policies were carried out amid rising awareness of historic building conservation. Special expertise is required for the preservation works of old structures, graded historic buildings and declared monuments where technical solutions and professional services are deployed.

Price trend of construction project by segments

Building construction services

The average project price of building construction services increased from HK\$79.3 million in 2010 to HK\$147.9 million in 2015 at a CAGR of 13.3%. With the steady growth in the economy and property market of Hong Kong, the average project price of building construction services is expected to reach HK\$196.7 million in 2020 at a CAGR of 5.9% from 2015 to 2020.

Alteration, addition and fitting-out building services

The average project price of alteration, addition and fitting-out services increased from HK\$4.3 million in 2010 to HK\$5.3 million in 2015 at a CAGR of 4.3% due to increasing demand for residential units, shopping malls and offices. The growth rate in the cost of alteration, addition and fitting-out services continued to exceed the rise in the number of projects which caused the average project price to increase continuously. It is expected that the average project price will reach HK\$7.0 million in 2020 at a CAGR of 5.7%.

Repair and restoration of historic buildings

Due to specialised technical requirements and need of greater attention, the average project price of repair and restoration of historic buildings is higher than that of other types of buildings. In 2015, the average project price of regular repair and restoration of historic buildings was around HK\$120,000. With the continued growth in the repair and restoration of historic buildings segment, the average project price is anticipated to rise in the near future.

Average wage for workers involved in construction work by segments

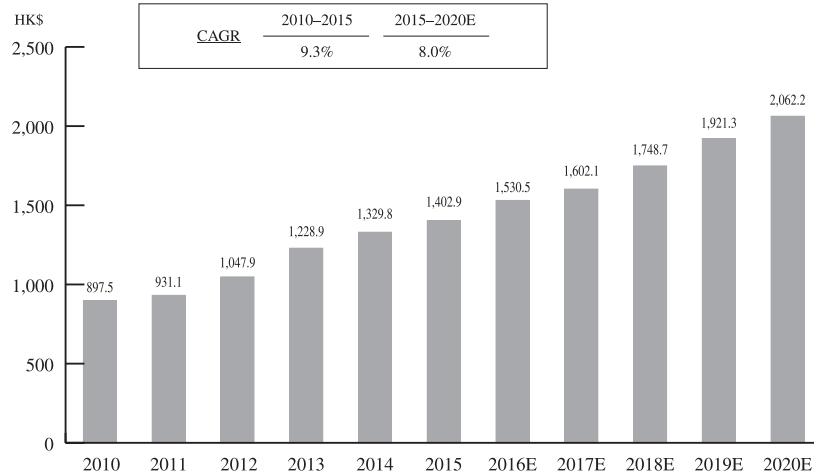
Building construction services

In 2015, the average daily wage for building construction services workers was around HK\$1,403. Driven by continuous growth in the construction market, the daily wage rate for building construction services workers increased at a CAGR of 9.3% from 2010 to 2015. Among all types of workers in building construction services, the wage rate for concreter experienced the

INDUSTRY OVERVIEW

greatest increase, at a CAGR of 15.2% from 2010 to 2015. It is expected that the wage rate will keep rising, primarily due to the steady demand for shopping malls, residential units and offices.

Average daily wage for workers involved in building construction services, 2010–2020E

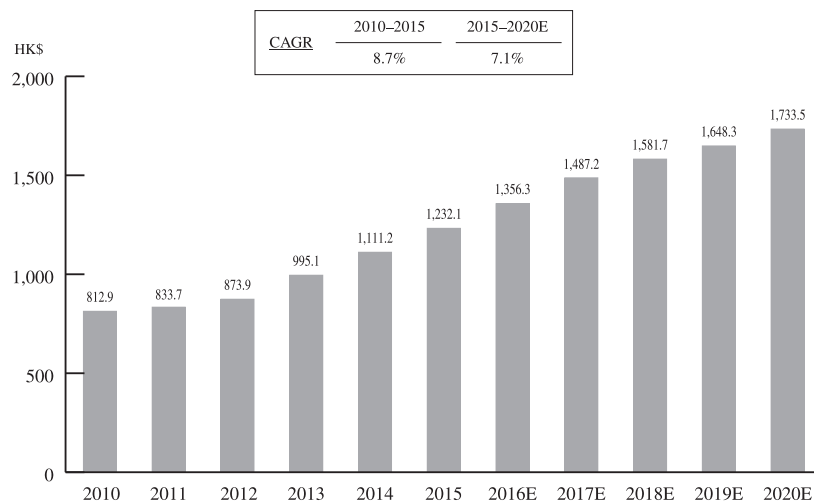


Source: Census and Statistics Department, Hong Kong, Frost & Sullivan

Alteration, addition and fitting-out building services

The average daily wage for alteration, addition and fitting-out services increased from HK\$813 in 2010 to HK\$1,234 in 2015 at a CAGR of 8.7%, due to the rising project number with respect to urban renewal, industrial buildings revitalisation and newly built residential units. Driven by the stable growth in the fitting-out services, the average daily wage is expected to rise further in the near future.

Average daily wage for workers involved in alteration, addition and fitting-out building services, 2010–2020E



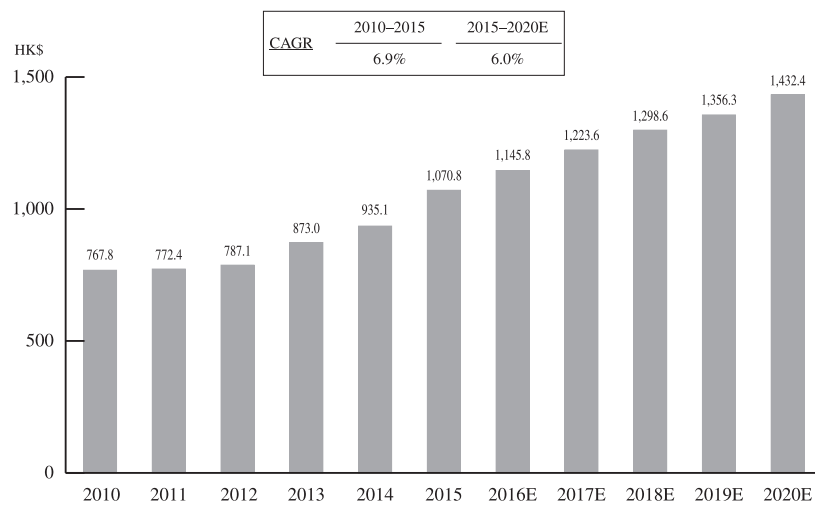
Source: Census and Statistics Department, Hong Kong, Frost & Sullivan

INDUSTRY OVERVIEW

Repair and restoration of historic buildings

The average daily wage for repair and restoration of historic buildings workers reached HK\$1,071 in 2015, demonstrating a CAGR of 6.9% from 2010 to 2015. This market segment is at a preliminary stage and therefore more commercial initiatives are required to further develop this segment. The CAGR of average daily wage of this market segment from 2010 to 2015 is less than that of building construction services and addition, alteration and fitting-out building services segments. In view of the rising awareness of heritage preservation, the average daily wage is expected to increase in the near future.

Average daily wage for workers involved in repair and restoration of historic buildings, 2010–2020E



Source: Census and Statistics Department, Hong Kong, Frost & Sullivan

INDUSTRY OVERVIEW

Main raw material price in construction industry

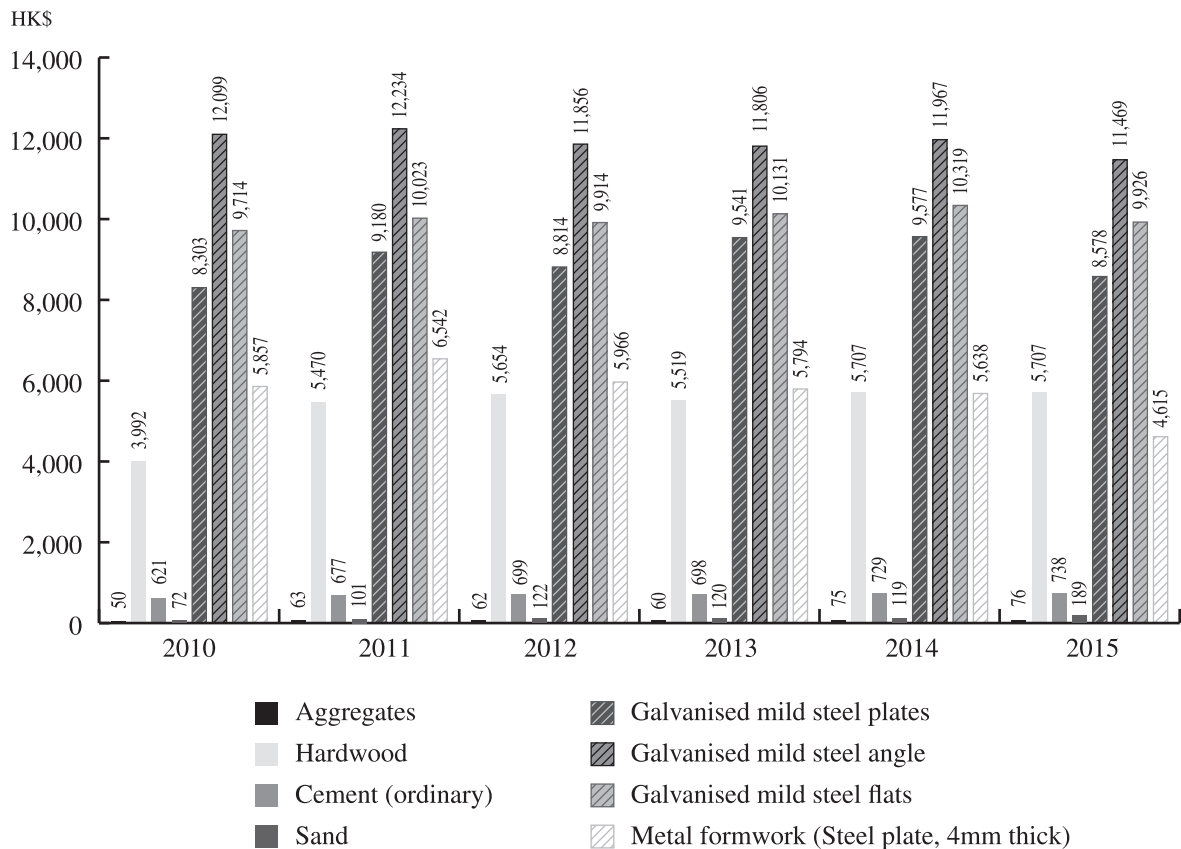
Main raw materials of construction include aggregates, hardwood, cement and sand, etc. The raw material price has been rising in recent years, among all kinds of the raw materials, sand experienced the greatest increase. It is expected that the price of main raw materials will continue to increase, primarily due to the stable growth of the construction market in Hong Kong and inflation.

Main raw material	Unit	Price in HK\$					CAGR	
		2010	2011	2012	2013	2014		2015
Aggregates	Ton	50	63	62	60	75	76	8.7%
Hardwood	Cubic meter	3,992	5,470	5,654	5,519	5,707	5,707	7.4%
Cement (ordinary)	Ton	621	677	699	698	729	738	3.5%
Sand	Ton	72	101	122	120	119	189	21.3%
Galvanised mild steel plates	Ton	8,303	9,180	8,814	9,541	9,577	8,578	0.7%
Galvanised mild steel angle	Ton	12,099	12,234	11,856	11,806	11,967	11,469	-1.1%
Galvanised mild steel flats	Ton	9,714	10,023	9,914	10,131	10,319	9,926	0.4%
Metal formwork (Steel plate, 4mm thick)	Ton	5,857	6,542	5,966	5,794	5,683	4,615	-4.7%

Source: Census and Statistics Department, Hong Kong, Frost & Sullivan

INDUSTRY OVERVIEW

Amongst all construction materials, sand recorded the greatest growth at a CAGR of 21.3% from 2010 to 2015, followed by the aggregates and hardwood. The consumption of major raw construction materials reflects the increasing amount of new buildings and industry prosperity in Hong Kong. The decreased growth rate of aggregates, sand, hardwood and cement in 2013 is attributable to the slowdown of building construction services in 2012 and 2013. The rebound in the number of new buildings in 2014 increased the material prices again. It is expected that the price of main construction raw materials will continue to increase which will lead to a growing construction cost, primarily due to the stable growth of the construction market in Hong Kong and the inflation of economic environment.



Source: Census and Statistics Department, Hong Kong, Frost & Sullivan

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF CONSTRUCTION MARKET

The construction market consisting of companies with qualifications for building construction services, alteration, addition and fitting-out building services, repair and restoration of historic buildings is extremely fragmented. The concentration level of the Hong Kong construction market is quite low. The following table illustrated the ranking of the market in 2015:

Suppliers in Hong Kong, 2015

Company	Revenue HK\$ million	% of total market revenue
Competitor A	7,000	5.9
Competitor B	5,500	4.6
Competitor C	4,600	3.9
Competitor D	4,200	3.5
Competitor E	3,400	2.8
Others	94,500	79.3
Total	119,200	100.0

Source: Frost & Sullivan

Comparing to the overall construction market, the building construction services segment is relatively concentrated. Leading players who have established long-term relationships with the government, commercial and individual customers account for most of the market share. It is estimated that our Group contributed 0.1% of the entire building construction services market, with a revenue of HK\$88.7 million in 2015.

Meanwhile, the alteration, addition and fitting-out building services segment is relatively fragmented. Most of the players are small-sized and middle-sized companies, leading to fierce competition in this segment of the market. It is estimated that our Group is accountable for 1.0% of the entire alteration, addition and fitting-out building services segment, with a revenue of HK\$168.0 million in 2015.

There were only 29 qualified repair and restoration of historic buildings specialist contractors in the repair and restoration of historic buildings segment in Hong Kong as at the Latest Practicable Date. It is estimated that our Group contributed 11.5% of the entire repair and restoration of historic buildings segment, with a revenue of HK\$33.2 million in 2015. Although there are many players involved in the entire construction market, most of them provide a limited scope of services and may only offer building construction services or fitting-out service. Therefore, the capability to provide a comprehensive range of services certainly offers players an edge in terms of competitiveness. With strong presence in projects from the government and government related organisations, the approved contractors for public works by Development Bureau are holding the majority share of the repair and restoration of historic buildings market. According to track record,

INDUSTRY OVERVIEW

our Group is one of the leading players by revenue in the repair and restoration of historic buildings market amongst the 29 approved contractors. Furthermore, our Group rank third by revenue amongst the 28 suppliers who principally engaged in (i) building construction services; (ii) alteration, addition and fitting-out building services; and (iii) repair and restoration of historic building in 2015.

Key success factors

Reputation

Generally, clients prefer prestigious and experienced players in the construction industry rather than companies which are less prominent. Besides, reputable companies are regarded to possess more bargaining power and hence leading to better profit margins.

Full range of service

Provision of one-stop solution gradually becomes one of the mainstreams in the construction industry. From the clients' perspective, it is much more convenient to run quality control when they engage a construction company that can provide one-stop solution. From the service providers' point of view, provision of one-stop solution allows them to expand the business scopes and increase their gross margin.

Reliable raw material

Inconsistent quality of construction raw materials may ruin the whole project and a company's reputation. Therefore, a reliable raw material source is closely tied with the quality of construction projects.

Project management

Duration of construction project is another primary concern for clients. Outstanding project management capability is crucial for project quality and ensuring punctual completion of the project.

Opportunities

Impetus from new public infrastructure

The Hong Kong government has been promoting economic growth through investments in public infrastructure projects in recent years, for instance, West Kowloon Cultural District, Kai Tak Development, Hong Kong — Zhuhai — Macau Bridge and the Shatin to Central Link. Such investments have been creating huge opportunities for the construction enterprises. The continued public infrastructure projects are anticipated to create higher demand for the construction of new buildings and support the fitting-out industry in Hong Kong.

INDUSTRY OVERVIEW

Momentum in stable economic growth

Despite the uncertainties in the global monetary environment and global demand, the Hong Kong economy has experienced stable growth in recent years. The sustained development of the property market and continued expansion of tourism have been generating continuous increasing demand for shopping malls, residential units, offices and transportation facilities, which are acting as key drivers to the construction industry.

Expediting of land planning and development

To tackle the severe housing shortage, the Hong Kong government has been launching policies to simplify and speed up the process of land planning and development, as well as studying the possibility of increasing and expediting land supply. These policies do not only provided solutions to the housing problems and land shortage, but also increased the potential demand in the construction industry.

Threats

Lack of skilled workers and industry expertise

- The demand for skilled construction workers and industry expertise is increasing in building construction services and alteration, addition & fitting-out building services. More skilled labour in the construction industry leave for the PRC and Macau due to more attractive construction projects, higher salaries, etc.
- In addition, the number of young people joining the Hong Kong construction industry is declining. Together with the fact that the experienced and skilled workers are retiring, the Hong Kong construction industry labour shortage is intensifying. In December 2014, about 44.4% of the construction workers with more than 10 years of experience in the construction industry were in their 50s.
- It is estimated that the competition for labour resources will be more intense. The shortage of experienced and skilled labour may increase the risk of project delay and could threaten the development of the construction industry.

Increasing construction cost

- Labour shortage in Hong Kong is also pushing up the construction labour cost. Average salary of construction workers in Hong Kong increased from HK\$57.9 per hour in 2010 to HK\$93.6 per hour in 2015, with a CAGR of approximately 10.1%.
- Regarding raw material cost, the average wholesale price of cement increased from HK\$612.7 per metric ton in 2010 to HK\$751.4 per metric ton in 2015, at a CAGR of 4.2%. Construction costs may pose a threat to the construction industry.

INDUSTRY OVERVIEW

- It is indisputable that work quality is the first priority for interior fitting-out companies. Under this circumstance, to strike a balance between reliable raw materials, effective project management and cost management is considered to be extremely essential for the success of companies in the construction industry.

Entry barriers

Capital barrier

Sufficient capital is essential to new entrants in Hong Kong's construction industry. Generally, construction companies need to have an abundant amount of cash for labour costs, raw material costs, payment for its suppliers and subcontractors, even without advance payment from the client. Deferred payments are likely to have a negative impact on a company's operation. Moreover, although most of the construction machinery and equipment can be leased, owning and controlling the professional machinery will benefit the construction enterprises, due to its ability to control time and cost more effectively and efficiently.

Network barrier

Developing and enhancing relationship with general contractors and subcontractors is important in the construction industry in Hong Kong. To establish an effective network with the construction companies in a short period of time is a challenge and thus barrier for new entrants. Customers prefer choosing project contractors that they have cooperated with before or through recommendation and introduction. Moreover, information access, especially internal information about upcoming projects, is favorable to enterprises in an intensely competitive market. Companies owning vast resources are more likely to get recommendations, advices, bidding invitations, etc. compared with new entrants.

Experience barrier

In the construction industry, only enterprises with long-term project experience accumulation can establish their reputation. Qualifications and relevant licenses, such as List of Approved Contractors for Public Works established by the Development Bureau of Hong Kong, are the preconditions of bidding for public construction projects. In particular, the Hong Kong government assess bidding companies for general public projects through such companies' performance of prior projects. To new entrants, it is almost impossible to complete a high value project without any prior related project experience.

LAWS AND REGULATIONS

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

A. LABOUR, HEALTH AND SAFETY

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under The Factories and Industrial Undertakings Ordinance, every proprietor shall, as far as reasonably practicable, take care of the safety and health at work of all persons employed by the proprietor at the industrial undertaking by attending to the followings:

- providing and maintaining plant and systems of work that are, so far as is reasonably practicable, safe and without risks to health;
- making arrangements for ensuring, so far as is reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- providing such information, instruction, training and supervision as is necessary to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by the proprietor at the industrial undertaking;
- so far as is reasonably practicable as regards any part of the industrial undertaking under the proprietor's control, maintaining it in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks; and
- providing and maintaining a working environment for all persons employed by the proprietor at the industrial undertaking that is, so far as is reasonably practicable, safe, and without risks to health.

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

Section 6BA(5) of the Factories and Industrial Undertakings Ordinance also provides that, on and after the appointed day (as defined in the Factories and Industrial Undertakings Ordinance), every proprietor shall not employ at the undertaking a relevant person who has not been issued a relevant safety training certificate or whose relevant certificate has expired. A proprietor who contravenes the foregoing commits an offence and is liable to a fine at level 5 (currently at HK\$50,000).

LAWS AND REGULATIONS

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 followings:

- 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; and
- 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 six months.

The Commissioner for Labour may also issue (i) improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance; (ii) or serve suspension notices on an employer who is responsible for, or on an occupier of, premises where a workplace is located, if of the opinion that because of an activity undertaken at the workplace or the condition or use of the workplace 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. A further fine of HK\$50,000 per day during which the employer or occupier knowingly and intentionally fails to comply with the suspension notice.

LAWS AND REGULATIONS

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

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

Under the 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 faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or death arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance. An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level six (currently at HK\$100,000) and to imprisonment for two years and on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

Pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by any person who would have been liable to pay compensation to the injured employee.

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 or Form 2B (within 14 days for general work accidents and within seven days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of seven and 14 days respectively, then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

LAWS AND REGULATIONS

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

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that, if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability shall be limited to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work, and to the wages due to such an employee for two months without any deductions (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 the subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date or another 90 days if permitted by the Commissioner for Labour. The 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 subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at 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 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 deduct by way of set-off the amount paid by it from any sum due or may become due to the subcontractor in respect of the work that it has subcontracted.

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

The Construction Workers Registration Ordinance provides, among others, for registration and regulation of construction workers. The principal object of the Construction Workers Registration Ordinance is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction site.

LAWS AND REGULATIONS

1. *Employment of Registered Construction Workers*

Under sections 3(1) and 5 of the Construction Workers Registration Ordinance, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction work on construction sites.

2. *Keeping and Submission of Site Daily Attendance Report*

Under the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to:

- a. establish and maintain a site daily attendance report in the specified form that contains information of the registered construction workers who (i) are employed by the controller or, if the controller is the principal contractor, by the subcontractor of the controller, and (ii) personally carry out on the site construction work (section 58(7)(a) of the Construction Workers Registration Ordinance); and
- b. furnish to the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record:
 - i. for the period of seven days after any construction work begins on the site; and
 - ii. for each successive period of seven days,

within two business days following the last day of the period concerned (section 58(7)(b) of the Construction Workers Registration Ordinance).

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

The Occupiers Liability Ordinance regulates the obligations of a person in control of the premises for 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 a 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.

LAWS AND REGULATIONS

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

Pursuant 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) should take all practicable steps to prevent having illegal immigrants from being on the construction site, and to prevent illegal workers who are not lawfully employable from taking employment on the construction site.

Where it is proved that an illegal immigrant was on a construction site, or 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.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. As at the Latest Practicable Date, the Chief Executive in Council has adopted the recommendation of the Minimum Wage Commission to raise the minimum hourly wage rate to HK\$34.5 per hour. Subject to approval by the Legislative Council, the revised minimum hourly wage rate will take effect from 1 May 2017.

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.

B. 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, the Air Pollution Control (Construction Dust) Regulation, and the Air Pollution Control (Smoke) Regulations. The contractor responsible for a construction site shall devise and 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.

Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)

Under the Air Pollution Control (Construction Dust) Regulation, “construction work” includes but not limited to the construction, demolition and reconstruction of the whole or any part of any building or other structure and site formation. Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. “Notifiable work” includes site formation, reclamation, demolition of a building, work carried out in any part of a tunnel that is within 100m of any exit to the open air, construction of the foundation of a building, construction of the superstructure of a building or road construction work.

Section 4 of the Air Pollution Control (Construction Dust) Regulation provides that the contractor responsible for a construction site where a notifiable work is being carried out shall ensure that the work is carried out in accordance with the Schedule of the Air Pollution Control (Construction Dust) Regulation.

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

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

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department. Starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 are exempted from complying with the emission requirements. A period of 6 months (from 1 June 2015 to 30 November 2015, both dates inclusive) was allowed for existing NRMMs to apply for exemption.

LAWS AND REGULATIONS

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.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays unless construction noise permits have been granted by the Environmental Protection Department. Certain equipment is also subject to restrictions on when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval in the form of a construction noise permit from the Environmental Protection Department. Any person who is in contravention of the aforesaid provisions shall be liable on a first conviction to a fine of HK\$100,000, on a second or subsequent conviction 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. All industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains) are subject to licensing control by the Environmental Protection Department.

All discharges, other than domestic sewage to a foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent, and 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 waters 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 six months, and, for a first offence, to a fine of HK\$200,000, and, for a second or subsequent offence, to a fine of HK\$400,000, and, 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.

LAWS AND REGULATIONS

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

The Waste Disposal Ordinance controls and regulates the production, storage, collection, treatment, recycling and disposal of wastes. 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 and the Waste Disposal (Chemical Waste) (General) Regulation.

Under the Waste Disposal (Charges For Disposal Of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1,000,000 or above will be required to establish a billing account with the Environmental Protection Department within 21 days after the contract is awarded to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer. The waste must be packaged, labelled and stored properly before disposal. Only a licensed collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the staff of the Environmental Protection Department.

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 Environmental Protection. A person who, except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence, and is liable to a fine of HK\$200,000 and to imprisonment for six months for a first offence, HK\$500,000 and to imprisonment for six months for a second or subsequent offence, and, in addition, to a further fine of HK\$10,000 for each day during which the offence continues.

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

Under the Dumping at Sea Ordinance, any waste producers involved in marine dumping and related loading operations are required to obtain permits from the Director of Environmental Protection.

Under the Dumping at Sea Ordinance, a person who, except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence, and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months on a first conviction, and to a fine of HK\$500,000 and to imprisonment for two years on a second or subsequent conviction, and, in addition, to a further fine of HK\$10,000 for each day that the court is satisfied that the operation has continued.

LAWS AND REGULATIONS

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

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

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

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

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 a fine at level 3 (currently at HK\$10,000) upon conviction with a daily fine of HK\$200.

Discharge of muddy water is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is a fine at level 5 (currently at HK\$50,000) 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 a fine at level 4 (currently at HK\$25,000) upon conviction and a daily fine of HK\$450.

Any accumulation of refuse which is a nuisance or injurious or dangerous to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is a fine at level 3 (currently at 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 or dangerous to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is a fine at level 3 (currently at HK\$10,000) upon conviction and a daily fine of HK\$200.

C. CONTRACTOR LICENSING REGIME

General Building Contractor and Specialist Contractor

Under the current contractor registration system in Hong Kong, a contractor must register with the Building Authority 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 (including demolition works, foundation works, ground investigation field works, site formation works and ventilation works) designated for registered specialist contractors.

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

1. if the applicant is a corporation, the adequacy of its management structure;
2. the appropriate experience and qualifications of the applicant's personnel;
3. the applicant's ability to have access to plant and resources; and
4. the ability of the person appointed to act for the applicant 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.

For registration as a registered specialist contractor, an applicant must additionally satisfy the Building Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category.

Under section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Building Authority for renewal of registration not earlier than four months and not later than 28 days prior to the date of expiry of the relevant registration. Application for renewal of registration received by the Building Authority outside the specified time limit under section 8C(2)(c) will not be accepted. The application should comprise:

1. a duly completed specified form;
2. declarations in the Building Authority's standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the authorised signatory(ies), the technical director(s) and the other officer(s) in certain aspects;
3. a job reference on a minimum of one relevant building project;
4. certain documents relating to business registration; and

5. the prescribed fee in accordance with the Building (Administration) Regulation.

Minor Works Contractor

Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

Under the minor works control system (the “MWCS”) implemented by the Buildings Department since 31 December 2010, which was intended to serve as a simplified control mechanism to facilitate the carrying out of minor works without prior approval of plans by the Building Authority, a total of 126 items of building works have been included as minor works subject to the control under the MWCS. Those minor works are categorised into three classes according to their nature, scale, complexity and risk to safety: Class I (total of 44 items), Class II (total of 40 items) & Class III (total of 42 items). Class I comprises more complicated minor works and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional (the “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 “Registered Contractor”). Class II comprises works of a lower complexity while Class III comprises small-scale and common household minor works. Class II and Class III can be carried out by a Registered Contractor (which can be a registered general building contractor, a registered specialist contractor of respective registered category of specialised works or a registered minor works contractor of respective registered class and type or item of minor works) without the involvement of a Building Professional. Under each class of minor works, it is further sub-divided into different types and items that correspond to the specialisation of works in the industry. Minor works are grouped into seven types, including Type A (alteration and addition works); Type B (repair works); Type C (works relating to signboards); Type D (drainage works); Type E (works relating to structures for amenities); Type F (finishes works); and Type G (demolition works). The size, location and respective requirements of each item of minor works are set out in Schedule 1 of the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (the “B(MW)R”).

Similar to the registration requirements for a general building contractor or a specialist contractor, under section 12(5) of the B(MW)R, an applicant for registration as a registered minor works contractor must satisfy the Building Authority on the following aspects:

1. if it is a corporation, appropriate qualifications and experience of at least one of its director;
2. it has access to plants and resources;
3. if it is a corporation, its management structure is adequate;

LAWS AND REGULATIONS

4. appropriate qualifications and experience of at least one of the persons appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance and his ability to understand the minor works under application through relevant experience and a general knowledge of the basic statutory requirements; and
5. the applicant is suitable for registration in the register.

Pursuant to section 12(6) of the B(MW)R, in deciding whether the applicant is suitable for registration in the register, the following factors will be taken into account: (a) whether the applicant or the individual nominated has any criminal record in respect of any offence under Hong Kong laws relating to the carrying out of any building works; and (b) whether any disciplinary order has been made against the applicant or the individual.

In considering each application, the Building Authority is to have regard to the qualifications, experience and suitability of the following key personnel of the applicant:

1. a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance (the “AS”); and
2. for a corporation — a minimum of one director from the board of directors of the applicant (the “TD”), who is authorised by the board to:
 - i. have access to plants and resources;
 - ii. provide technical and financial support for the execution of minor works; and
 - iii. make decisions for the company and supervise the AS and other personnel.

A suitable person appointed by the board of directors is eligible to act as the AS, whereas the TD must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role of the TD.

A registered minor works contractor is required to suspend all the minor works immediately if there is no AS appointed to act for the contractor for the purposes of the Buildings Ordinance. Similarly, when there is no TD acting for the contractor, the contractor should apply for appointment of replacement of TD within a reasonable period of time. Before the AS/TD ceases to act for the contractor, apart from giving the Building Authority an advanced notice, the contractor/AS/TD should provide necessary measures to ensure the safety and hygiene conditions of the site during the period of suspension of works and should liaise with the project authorised person, registered structural engineer or registered geotechnical engineer selected by the Building Authority in this regard where applicable.

LAWS AND REGULATIONS

Under section 14(2)(c) of the B(MW)R, a registered minor works contractor should apply to the Building Authority for renewal of registration not earlier than four months and not later than 28 days prior to the date of expiry of the registration. The application should comprise:

1. a duly completed specified form;
2. declarations in Building Authority standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel such as the authorised signatory(ies) and the technical director(s) in certain aspects;
3. a job reference on a minimum of one relevant building project;
4. certain documents relating to business registration;
5. the prescribed fee in accordance with Building (Minor Works) (Fees) Regulation (Chapter 123O of the Laws of Hong Kong).

If the contractor has made an application for renewal within the statutory time limit and pays the renewal fee, its registration will continue to be in force until its application for renewal is finalised by the Building Authority. In general, an application from a contractor for renewal of registration would not be referred to the Minor Works Contractors Registration Committee for interview and assessment, except in the following circumstances:

- i. the contractor has been inactive in relevant minor works in the past registration period (i.e. without a job reference on a minimum of one relevant item of minor works); or
- ii. there have been new incidents or circumstances that require further consideration on the suitability of the contractor's registration. In this connection, the Building Authority will assess the suitability of the contractor for retention of its name in the register if it has been (i) convicted or disciplined under the Buildings Ordinance; (ii) convicted of a serious labour safety offence (e.g. involving a fatal incident or amputation of limb); (iii) convicted of seven or more labour safety offences relating to building works committed within a rolling six months. Non-building works related labour safety offences (e.g. failure to ensure the wearing of safety helmet and the use of goggles, however will not be taken into consideration); (iv) involved in conviction leading to imprisonment for malpractice or misconduct in building works or construction related activities; (v) convicted of four or more offences under section 27(3) of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) committed on the same site within a rolling three months; (vi) convicted of four or more environmental offences committed on the same site within a rolling three months; and (vii) suspended from tendering by the Development Bureau or the Housing Authority. The Building Authority will consider the reasons of the suspension. In general, only factors

LAWS AND REGULATIONS

which infer deficiencies of the contractors in technical or management abilities, and factors related to standard of works, misconduct and site safety will be taken into consideration.

The Building Professional appointed will be responsible for the design and supervision of the works while the Registered Contractor appointed will be responsible for the carrying out of the works. If Building Professional is not required to be appointed, i.e. no Class I minor works item is involved, the design of the works will also be supervised by the Registered Contractor appointed as well. The Building Authority must be notified of the commencement of projects involving Class I and Class II minor works items, in the specified form with prescribed plans, supporting documents and site photos, which must be submitted at least seven days before the commencement of works. The Building Authority will issue a submission number after the verification of all works involved are “minor works” and a certificate of completion should be submitted in the specified form with the submission number, record plans, supporting documents and record photos within 14 days after the completion of works. For projects in which only Class III minor works are involved, it is not necessary to notify the Building Authority of the commencement of the projects as required for Class I and Class II minor works items. However, notice and certificate of completion should be submitted in the specified form with record plans or description of works, supporting documents and record photos (before and after the completion of works) within 14 days after the completion of works. The Building Authority will conduct audit checks upon receipt of the above notices to ascertain compliance with the statutory requirements and ensure the quality and standard of such “minor works”. Disciplinary and prosecution actions may be taken against cases of non-compliance. According to sections 4A(2) and 9AA(2) of the Buildings Ordinance, if a person who arranged for the works to be commenced or carried out has knowingly failed to appoint the Building Professional and/or the Registered Contractor (as the case may be), he will be liable on conviction to a fine of up to HK\$100,000 under section 40(1AB) of the Buildings Ordinance.

Under section 13 of the Buildings Ordinance, a Registered Contractor or the director, officer or person appointed by the Registered Contractor to act on his behalf for the purposes of the Buildings Ordinance who (i) has been convicted by any court of an offence relating to building works or street works; (ii) has been negligent or has misconducted himself in buildings works or street works; (iii) has deviated in a material manner from a supervision plan without reasonable cause; (iv) has drawn up a supervision plan that does not comply with the material requirements of the Buildings Ordinance; (v) has repeatedly drawn up supervision plans that do not comply with the requirements of the Buildings Ordinance; (vi) has certified minor works commenced under the simplified requirements that have been carried out in contravention of the Buildings Ordinance; (vii) has supervised minor works commenced under the simplified requirements that have been carried out in such a manner that they have caused injury to a person (whether or not while under such supervision); (viii) has carried out minor works commenced under the simplified requirements in such a manner that they have caused injury to a person; (ix) has carried out building works (other than minor works) under the simplified requirements as if it were minor works commenced under the simplified

LAWS AND REGULATIONS

requirements; (x) has certified building works (other than minor works) as if it were minor works commenced under the simplified requirements; or (xi) has failed to discharge any of the specified duties is subject to inquiry by the disciplinary board. The disciplinary board may, among others, order that (i) the name of the Registered Contractor or the name of the director, officer or person be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; (ii) the Registered Contractor or the director, officer or person be fined, in the case of building works, a sum up to HK\$250,000 and in the case of a prescribed inspection in respect of a window in a building or minor works, a sum up to HK\$150,000; (iii) the Registered Contractor or the director, officer or person be reprimanded; (iv) in the case of a registered contractor who is a registered general building contractor or a registered specialist contractor, order that he be prohibited from certifying or carrying out any minor works commenced under the simplified requirements, either permanently or for such period as the disciplinary board thinks fit; or (v) in the case of a registered contractor who is a registered general building contractor or registered minor works contractor, order that the contractor be prohibited from certifying any prescribed inspection, or certifying or supervising any prescribed repair, in respect of a window in a building, either permanently or for any period that the disciplinary board thinks fit.

If any building works have been or are being carried out in such a manner as, in the opinion of the Building Authority, will cause or will be likely to cause a risk of injury or damage to property, an order may be served under section 24A of the Buildings Ordinance for ceasing the constitution of such a risk. The Building Authority may require a person to demolish, remove or alter any minor works commenced under the simplified requirements that have been or are being carried out in contravention of (i) any provisions of the Buildings Ordinance; (ii) any approved or draft plan prepared under the Town Planning Ordinance (Cap 131 of the Laws of Hong Kong); or (iii) any relevant master lay-out plan approved by the Town Planning Board under section 4A(2) of the Town Planning Ordinance. Any person who, without reasonable excuse, fails to comply with such order will commit offence and shall be liable on conviction to a fine of up to HK\$50,000 and to imprisonment for up to three months and to a fine of up to HK\$5,000 for each day if the offence is continuing.

Electrical Contractor

All contractors engaged in electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department. To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or:

1. if the applicant is an individual, he/she must be a registered electrical worker; or
2. if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

LAWS AND REGULATIONS

Under Regulation 13 of the Electricity (Registration) Regulations, a registered contractor should apply to the Director of Electrical and Mechanical Services for renewal of registration not earlier than four months and not later than one month prior to the date of expiry of the relevant registration. The application should comprise:

1. a duly completed specified form;
2. a copy of business registration certificate of the contractor;
3. a copy of the certificate(s) of registration of the registered electrical worker(s) of the contractor;
4. documentary proof(s) of employment of registered electrical worker(s), including a letter confirming the employment of the registered electrical worker(s) of the contractor; and
5. the prescribed fee in accordance with the Electricity (Registration) Regulations.

List of Approved Contractors for Public Works maintained by WBDB

In order to tender for Government contracts, a contractor must be accepted on the List of Approved Contractors for Public Works maintained by WBDB. Although approvals granted by WBDB are not required to be renewed annually, audited accounts of the approved contractors are submitted to WBDB annually (in addition, a Group C contractor is also required to submit half-yearly management accounts), and may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by WBDB. If any approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for tendering or awarding any contract in that category. In the event the approved contractor fails to submit the accounts or rectify any shortfall in the required capital requirements within the prescribed period, regulatory actions, such as suspension of tendering, may be taken by WBDB against such approved contractor.

The List of Approved Contractors for Public Works is divided into five categories, namely, roads and drainage, port works, waterworks, buildings, and site formation. Generally, there are three groups in each of the works categories (arranged in ascending order), namely Group A (except that there are no Group A in port works and site formation categories), Group B and Group C, with the highest rank being Group C. Each group has its particular tendering limits.

LAWS AND REGULATIONS

Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group. A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status. For instance, it requires satisfactory completion of a certain number of Government works contracts within a certain period. It also requires the contracts to be of value over certain amounts, covering a certain range of the works trades, or of considerable scope and complexity. Confirmation will also be subject to the contractor being able to meet the financial criteria applicable to confirmed status, having the appropriate technical and management capabilities and in all other ways being considered suitable for confirmation. The requirement on the number of Government works contracts, the value of the contracts, financial criteria and other criteria varies depending on different group category of contractors being applied for. “Confirmed” contractors may apply to be elevated to a higher group, which is subject to similar but more stringent criteria/requirements than that described above.

The following table sets out the value of works for which contractors in the respective categories and statuses may tender:

<u>Category</u>	<u>Authorised contract value</u>
Group A	Contracts of value up to HK\$100 million
Group B	Contracts of value up to HK\$300 million
Group C	Contracts of any values exceeding HK\$300 million

LAWS AND REGULATIONS

Requirements for retention as an approved contractor

In order to retain the current qualification held by Milestone Builder and Speedy Engineering, it has to ensure the minimum financial criteria and other requirements as below:

<u>Group/status</u>	<u>Minimum employed capital</u>	<u>Minimum working capital</u>	<u>Minimum technical and management criteria/other requirements</u>
Milestone Builder			
Group A (probation) — Approved Contractors for Public Works — Buildings Category	HK\$2.2 million plus HK\$1.2 million for every HK\$12 million of annualised outstanding works or part thereof above HK\$22 million, subject to a maximum of HK\$4.6 million	HK\$2.2 million or 15% on annualised outstanding works, whichever is higher	<p><i>Full-time management</i></p> <p>At least one member of the resident top management shall have a minimum of one year local experience in managing a construction firm obtained in the past three years.</p> <p><i>Technical personnel</i></p> <p>At least one person with one or more of the following qualifications:</p> <ul style="list-style-type: none"> (i) Higher Certificate in Building Studies/Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and one year local working experience in building works; or (ii) Ordinary Certificate in Building Studies/Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in building works; or (iii) At least 10 years local working experience in building works.
Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category	NIL	NIL	NIL
Speedy Engineering			
Approved Suppliers of Materials and Specialist Contractors for Public Works — Electrical Installation Category (Group II) (probation)	HK\$570,000	HK\$570,000	NIL

LAWS AND REGULATIONS

Notes:

1. The issued and paid up capital and shareholders' funds should both meet the level of minimum employed capital applicable to a contractor's highest group and status.
2. The annualised outstanding works for retention purpose is defined as the combined annual value of uncompleted works on public works contracts, Housing Authority contracts and contracts with the private sector on a world-wide basis.
3. Top management shall be the president, chairman, director, managing director, executive director, or general manager etc.
4. The top management and the technical staff must be two individual persons.

Our Directors advised that, as at the Latest Practicable Date, Milestone Builder had met the aforesaid criteria and requirements that are applicable to it.

The following table sets out the permitted scope of business, authorised contract value and capital requirement of Group B (probation) license of Approved Contractors for Public Works:

<u>Category</u>	<u>Permitted scope of business</u>	<u>Minimum employed capital</u> <i>(Note)</i>	<u>Minimum working capital</u>
Group B (probation) — Approved Contractors for Public Works — Buildings Category	Eligible to tender or for award of: (i) any number of Group A contracts in the buildings category; and (ii) any number of Group B contracts in the buildings category, provided the total value of works in the Group B contracts that it already holds and the Group B contract being procured under the same category does not exceed HK\$300 million	HK\$5.2 million plus HK\$2.9 million for every HK\$43 million of annualised outstanding works or part thereof above HK\$78 million, subject to a maximum of HK\$14.7 million	HK\$5.2 million or 10% on annualised outstanding works, whichever is higher

Note: The issued and paid up capital and shareholders' funds should both meet the level of minimum employed capital applicable to its highest group and status.

LAWS AND REGULATIONS

Regulatory actions against approved contractors by the Development Bureau

The Development Bureau may take regulatory actions against a contractor. Circumstances which may lead to the taking of regulatory actions include, but not limited to:

1. unsatisfactory performance;
2. failure to submit a valid competitive tender for a period of three years;
3. failure to submit accounts or meet the financial criteria within the prescribed time;
4. failure to answer queries or provide information relevant to the listing status of a contractor on the Contractor List and/or the Specialist List within the prescribed time;
5. misconduct or suspected misconduct;
6. winding-up, bankruptcy or other financial problems;
7. poor site safety record;
8. failure or refusal to implement an accepted tender;
9. poor environmental performance;
10. court convictions, such as contravention of site safety legislation and Employment Ordinance and employment of illegal workers;
11. failure to employ the minimum number of full time management and technical personnel;
12. violation of laws;
13. poor integrity of its employees, agents and subcontractors in relation to any public works contract unless the misconduct is not within the control of the contractor;
14. public interest;
15. public safety and public health;
16. serious or suspected serious poor performance or other serious causes in any public or private sector works contract;
17. failure to comply with any of the rules for administration of the Contractor List or the Specialist List giving rise to reasonable suspicions as to the capacity or integrity of the contractor; and

LAWS AND REGULATIONS

18. failure to provide proof of complying with all the integrity management system (the “IMS”) requirements for the purpose of upkeeping the operation of the IMS.

Regulatory actions include removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor’s qualification to a lower status or class in all or any specified category), depending on the seriousness of the incident triggering the regulatory actions.

Approved contractor of the Housing Authority

The Housing Authority prescribes its own requirements for approved contractors to tender for its works. In order to tender for Housing Authority construction projects, a contractor must be on the Housing Authority list of building contractors under the categories of either new works or maintenance works. A contractor must be registered as registered general building contractor under the Buildings Ordinance, obtain certain certificates with respect to its own category and are subject to certain capital requirements, proven relevant work record, management and personnel requirements. Each year the Housing Authority requests the approved contractors to submit certain documents to show satisfactory compliance with the requirements stated in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and to pay the annual fee. If a contractor fails to submit the said documents or to pay the annual renewal fee within the time limit it will be suspended from tendering or be removed from the Housing Authority list of building contractors.

The following table sets out the scope and value of works for which approved contractors listed in the maintenance works category of building contractors (Group M2 license) in the Housing Authority may tender:

<u>Category</u>	<u>Authorised contract value/type</u>
Building Contractor — Maintenance Works Category — Group M2 (probation)	Restricted to undertake not more than 3 Group M2 direct contracts at any one time
Building Contractor — Maintenance Works Category — Group M2 (confirmed)	Contractors are eligible to tender for maintenance and improvement contracts of unlimited value

LAWS AND REGULATIONS

Approved contractors listed in the maintenance works category of building contractors (Group M2 license) in the Housing Authority should satisfy the capital requirements as follows:

1. *Employed and Working Capital*

The following table sets out the capital requirements for which approved contractors listed in the maintenance works category of building contractors (Group M2 license) in the Housing Authority shall satisfy:

<u>Category</u>	<u>Working Capital Required</u>	<u>Employed Capital Required</u>
Building Contractor — Maintenance Works Category — Group M2 (probation)	HK\$4.9 million OR 10% of outstanding works, whichever is higher	HK\$4.9 million plus HK\$2.9 million for every HK\$43 million of outstanding works or part thereof above HK\$73 million (subject to a maximum of HK\$10.6 million); OR 10% of total assets, whichever is higher
If total value of outstanding works reaches HK\$148 million or above, then the following criteria will apply:		
	HK\$14.8 million OR 8% on first HK\$950 million of outstanding works and 10% on remainder, whichever is higher	HK\$14.8 million plus HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$950 million; OR 10% of total assets, whichever is higher
Building Contractor — Maintenance Works Category — Group M2 (confirmed)	HK\$10.1 million OR 10% of outstanding works, whichever is higher	HK\$10.1 million plus HK\$5.8 million for every HK\$86 million of outstanding works or part thereof above HK\$150 million (subject to a maximum of HK\$21.7 million); OR 10% of total assets, whichever is higher
If total value of outstanding works reaches HK\$188 million or above, then the following criteria will apply:		
	HK\$18.8 million OR 8% on first HK\$950 million of outstanding works and 10% on remainder, whichever is higher	HK\$18.8 million plus HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$950 million; OR 10% of total assets, whichever is higher

LAWS AND REGULATIONS

Notes:

- (1) Outstanding works represent the annualised value of outstanding works (including Housing Authority, Government and private sector contracts on a worldwide basis) and any tenders under consideration.
- (2) The issued and paid-up capital and shareholders' funds should both meet the level of minimum employed capital applicable to its highest group and status.
- (3) The effective dates of the revised financial capital requirements are:
 - for list admission (including promotion, confirmation and change of name) — application on or after 16 October 2014;
 - for tendering — tender issued on or after 16 October 2014; and
 - for list retention — 1 December 2014 (i.e. all management accounts or audited accounts with accounting periods ending on or after 1 December 2014)

2. Profitability Trend Analysis

Approved contractors listed in the maintenance works category of building contractors (Group M2 license) in the Housing Authority with either confirmed or probationary status is required to demonstrate its financial performance based on its profitability trend analysis.

The profit/loss ratio is calculated to reflect the weighted average of the annual ratios of the operating profit/loss over the opening balance of the shareholders' funds or net worth (as per audited accounts) for each of the past three years, with weights of 3:2:1 (higher weight being given to the more recent year).

If a contractor has a loss ratio greater than 30%, sufficient capital should be injected. Subsequent capital injection by a contractor to strengthen the shareholders' funds or net worth will be taken into account in determining the revised loss ratio.

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

Under section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works without having obtained approval and consent from the Building Authority. Any person who intends to carry out alteration or addition building works in existing premises is required to appoint an authorised person, and, where necessary, a registered structural engineer, to prepare and submit plans for the approval of the Building Authority under the Buildings Ordinance. Such a person is also required to appoint a registered contractor to carry out the building works. The Building Authority may require that all such building works to be carried out in such a way that the building will comply with the standards of the Buildings Ordinance.

LAWS AND REGULATIONS

Under section 4(1) of the Buildings Ordinance, every person for whom building works or street works are to be carried out shall appoint:

1. an authorised person as the co-ordinator of such building works or street works;
2. a registered structural engineer for the structural elements of such building works or street works, if so required, under the Buildings Ordinance; and
3. a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under the Buildings Ordinance.

D. TOWN PLANNING AND LAND LEASE

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

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

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

E. OTHERS

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.

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 five years. Under Regulation 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,

LAWS AND REGULATIONS

tested and certified at least once every five 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.

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)

Pursuant to the Dangerous Goods Ordinance, storage of any dangerous goods in excess of the prescribed exempted quantity shall require a dangerous goods licence.

The Dangerous Goods Ordinance applies to, among others, all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, and substances liable to spontaneous combustion or of a readily combustible nature.

Under section 6 of the Dangerous Goods Ordinance, no person shall store any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the corresponding public officer or public authority as specified in the Dangerous Goods (General) Regulations. According to Regulation 99 of the Dangerous Goods (General) Regulations, the exempted quantity of diesel oil is 2,500 litres. Storage tank for diesel oil requires the approval from the Director of Fire Services in accordance with Regulation 99A of the Dangerous Goods (General) Regulations.

Under section 14 of the Dangerous Goods Ordinance, any person who contravenes section 6 of the Dangerous Goods Ordinance shall be guilty of an offence, and shall be liable to a fine of HK\$25,000 and to imprisonment for six months.

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

The Hong Kong Government is currently consulting 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, all public sector construction contracts will be caught by the legislation, whereas in the private sector, only certain contracts relating to a “new building” (as defined by the Buildings Ordinance) which has a value in excess of HK\$5 million for construction contracts and HK\$500,000 for professional services and supply only contracts will be caught by SOPL. However, where SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

The new legislation will, among others,:

- prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums;

LAWS AND REGULATIONS

- 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 can refer the matter to adjudication for decision; and
- give parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

It is possible 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. SOPL is designed to assist contractors throughout the contractual chain to ensure cash-flow and access to a swift dispute resolution process.

As at the Latest Practicable Date, the implement date of SOPL has not been announced.

HISTORY AND DEVELOPMENT

HISTORY

Our history can be traced back to the 2000s. Milestone Builder, the first member of our Group, was incorporated in Hong Kong on 5 November 2001 by Mr. Leung and Mr. Lam to provide engineering services. The initial funding of Milestone Builder was from Mr. Leung and Mr. Lam through their respective personal funding. Milestone Builder was approved as specialist contractor (site formation) and as general building contractor in 2006 and 2008 respectively.

In 2010, Mr. Leung and Mr. Lam, through Prime League, indirectly acquired 55% interest in Speedy Engineering, which carried on decoration services works. On 28 October 2011, the third principal operating subsidiary of our Group, Milestone Specialty, was also incorporated to conduct construction subcontracting and engineering works; and on 3 April 2013, the fourth principal operating subsidiary of our Group, Prime Builder, was also incorporated to conduct construction subcontracting works.

Milestones

Our Group is principally engaged in construction business in Hong Kong. For further information in relation to our business, please refer to the section headed “Business” in this prospectus.

Set out below are the major milestones of our Group’s business since our establishment:

<u>Year</u>	<u>Event</u>
2001	Milestone Builder was incorporated in Hong Kong.
2006	Milestone Builder was approved as specialist contractor (site formation).
2008	Milestone Builder was approved as general building contractor.
2008	Milestone Builder was accredited ISO 9001:2000 certification.
2010	Mr. Leung and Mr. Lam, through Prime League, acquired 55% of the entire interest in Speedy Engineering.
2011	Milestone Builder was approved as registered minor works contractor (minor works in Types A, B, C, D, F, G (Classes I, II & III)).
2011	Milestone Specialty was incorporated in Hong Kong.
2011	Milestone Builder was accredited ISO 9001:2008 certification.

HISTORY AND DEVELOPMENT

<u>Year</u>	<u>Event</u>
2012	Milestone Builder was included in the list of voluntary registered subcontractor by the Construction Industry Council.
2013	Prime Builder was incorporated in Hong Kong.
2013	Milestone Builder was approved in the approved suppliers of materials and specialist contractor for public works under the category of “Repair and Restoration of Historical Buildings” by the Development Bureau.
2014	Milestone Builder was included in the list of registered subcontractor by the Construction Industry Council.
2014	Speedy Engineering was accredited ISO 9001:2008 certification.
2015	Milestone Builder was admitted as a regular member of the Hong Kong Registered Contractor Association.
2015	Milestone Specialty was included in the list of registered subcontractor by the Construction Industry Council.
2016	Milestone Builder was accredited ISO 14000:2004 and OHSAS 18001:2007 Certifications.
2016	Speedy Engineering was approved in the suppliers of materials and specialist contractors for public works under the category of “Electrical installation” (Group II) (probation) by the Development Bureau and was included in the list of registered subcontractor by the Construction Industry Council.

Corporate history

The following is a brief corporate history of the establishment and changes in the shareholdings of our subsidiaries in Hong Kong up to the Reorganisation.

Milestone Builder

Milestone Builder was incorporated in Hong Kong as a limited liability company on 5 November 2001 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Each of Mr. Leung and Mr. Lam subscribed one share in Milestone Builder at par on the date of incorporation. The business of Milestone Builder was providing engineering services when it was incorporated. Milestone Builder allotted 99,999 shares, 700,000 shares, 100,000 shares

HISTORY AND DEVELOPMENT

and 1,200,000 shares at par to each of Mr. Leung and Mr. Lam on 5 March 2007, 30 April 2009, 3 November 2011 and 22 March 2013 respectively. Upon completion of such issuance and allotment, the issued share capital of Milestone Builder was owned as to 50% by Mr. Leung and 50% by Mr. Lam.

Speedy Engineering

Speedy Engineering was incorporated in Hong Kong as a limited liability company on 11 November 2008 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. The business of Speedy Engineering was provision of decoration services when it was incorporated. Mr. Aaron Leung subscribed one share in Speedy Engineering at par at the time of the incorporation.

On 12 November 2010, Prime League, the issued share capital of which has been owned by Mr. Leung and Mr. Lam as to 50% each, acquired 55% of the issued share capital of Speedy Engineering by way of subscription of new shares allotted by Speedy Engineering (the “**Speedy Acquisition**”), pursuant to which 77,000 shares and 62,999 shares were allotted at par to Prime League and Mr. Aaron Leung respectively. On 11 August 2014, Speedy Engineering allotted and issued 236,500 shares to Prime League and 193,500 shares to Mr. Aaron Leung at par. After the above allotments, the issued share capital of Speedy Engineering was owned as to 55% and 45% by Prime League and Mr. Aaron Leung respectively.

Milestone Specialty

On 28 October 2011, Milestone Specialty was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. The business of Milestone Specialty was engineering and construction subcontracting when it was incorporated. Prime League subscribed 10,000 shares in Milestone Specialty at par on the date of incorporation.

On 3 February 2012, Mr. Lui obtained 10% of the issued share capital of Milestone Specialty by way of subscription of new shares allotted by Milestone Specialty pursuant to which 8,000 shares and 2,000 shares were allotted to Prime League and Mr. Lui respectively at par. Upon completion of such issuance and allotment, the issued share capital of Milestone Specialty was owned as to 90% by Prime League and 10% by Mr. Lui.

Prime Builder

Prime Builder was incorporated in Hong Kong as a limited liability company on 3 April 2013 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. The business of Prime Builder was construction subcontracting when it was incorporated. Milestone Builder subscribed 8,000 shares in Prime Builder at par on the date of incorporation and is interested in the entire issued share capital of Prime Builder.

HISTORY AND DEVELOPMENT

Spartan Engineering (Macau)

On 17 April 2014, Spartan Engineering (Macau) was incorporated in Macau as a limited liability company with an authorised share capital of MOP\$25,000. Milestone Specialty subscribed one quota with the nominal value of MOP\$25,000 representing 100% of the registered share capital of Spartan Engineering (Macau) on the date of incorporation and Spartan Engineering (Macau) has become a wholly-owned subsidiary of Milestone Specialty since then. It has not commenced business since its incorporation.

Control, management and collective decision making of the Operating Companies

Before completion of the Reorganisation (as more fully explained below), there was no holding company which held all the operating companies in the Group, namely Milestone Builder, Prime Builder, Speedy Engineering and Milestone Specialty (collectively referred to as the “**Operating Companies**”), and each of Mr. Aaron Leung and Mr. Lui held shares in one of the Operating Companies only. Nevertheless, during the Track Record Period and prior to the completion of the Reorganisation, the Controlling Shareholders treated the Operating Companies as a group of companies and there had been in existence arrangements among them (although not documented formally) whereby every decision in respect of all major operational and financial aspects of the Operating Companies which affected all four companies were made by the Controlling Shareholders collectively, and the Controlling Shareholders were able to act in concert on the business of the Group in the following ways:

- i. they collectively decided all material management affairs and arrived at and/or executed all commercial decisions, including but not limited to the financial and operational matters, of the Operating Companies;
- ii. they had casted unanimous votes as shareholders for or against all resolutions in all shareholders’ meetings and discussions of the Operating Companies (to the extent that they or their controlled companies were the shareholders of the Operating Companies); and
- iii. they had co-operated with one another to obtain, maintain and consolidate control of the Operating Companies.

Details on how the Controlling Shareholders act in concert

The details of the each of the ways by which the Controlling Shareholders act in concert are as follows:

- i. Collective decision-making of all material management affairs and arrival/execution of all commercial decisions:

Throughout the Track Record Period, the Controlling Shareholders were the only ones who controlled the Operating Companies through their (or their controlled corporations’) respective directorships and shareholdings in the companies. Other than

HISTORY AND DEVELOPMENT

the Controlling Shareholders, there were no persons who have had any direct or indirect interests in the Operating Companies. In addition, other than the Controlling Shareholders and Prime League (which are wholly owned by Mr. Leung and Mr. Lam), there were no persons who were directors of the Operating Companies.

Further, the Controlling Shareholders have made collective decisions in respect of the operational and financial aspects of the Operating Companies on the understanding that the same decisions would be subsequently approved by the respective boards of directors or shareholders of and implemented by the Operating Companies. This could be demonstrated by the fact that the Operating Companies have adopted the uniform operational and financial systems, the major aspects of which are set out as follows:

In respect of operational system

- *Involvement in the management of projects*

Mr. Lui and Mr. Aaron Leung have not only been involved in the operation of Milestone Specialty and Speedy Engineering, respectively. In fact, each of the Controlling Shareholders had taken roles in the management of the projects undertaken by all Operating Companies. For instance, Mr. Aaron Leung is a project manager (electrical and mechanical) of Milestone Builder and had acted as building services coordinator in the projects undertaken by Milestone Builder responsible for supervising the electrical and mechanical works, and Mr. Lui is a contracts manager of Milestone Builder, and had been responsible for handling the issue of quotations from Milestone Builder to customers. Mr. Aaron Leung has been involving in the management of projects of Milestone Builder since Mr. Leung and Mr. Lam, through Prime League, acquired the interest in Speedy Engineering on 12 November 2010. Mr. Lui has been involving in the management of projects of Milestone Builder since he became the shareholder of Milestone Specialty on 3 February 2012. Mr. Aaron Leung and Mr. Lui has been managing the projects of Milestone Builder for more than six years and five years respectively.

- *Human resources policies and management*

The Operating Companies adopted the same remuneration policies, including remuneration packages, welfare administration as well as staff performance appraisal for the staff of all these four companies, which were formulated by the Controlling Shareholders together.

- *Use of vehicles and information technology system*

The vehicles of each of the Operating Companies are shared among the four companies for use. The four companies also used the same information technology system. The decisions to share the said resources have been made by the Controlling Shareholders collectively although not documented.

HISTORY AND DEVELOPMENT

- *Engagement of same services providers for administrative matters*

The Controlling Shareholders have also made collective decisions for all the Operating Companies to engage the same company secretarial services provider for its services and participate in the mandatory provident fund scheme provided by the same service provider.

In respect of financial systems

The Controlling Shareholders have also made the collective decisions to adopt and use the same accounting solution system in recording all the transactions entered into by the Operating Companies, and to adopt the same accounting policies in preparing the financial statements of such companies.

The Controlling Shareholders confirmed that they had discussed business issues regarding the operation of the Operating Companies requiring management input from time to time and had always reached consensus on all material matters prior to the Reorganisation.

- ii. unanimous votes as shareholders for or against all resolutions in all shareholders' meetings and discussions of the Operating Companies (to the extent that they or their controlled companies were the shareholders of the Operating Companies):

Mr. Leung and Mr. Lam unanimously voted as shareholders for all resolutions in all shareholders' meetings of Milestone Builder of which they were shareholders; Prime League (which are owned by Mr. Leung and Mr. Lam in equal shares) and Mr. Lui unanimously voted as shareholders for all resolutions in all shareholders' meetings of Milestone Specialty of which they were shareholders; and Prime League and Mr. Aaron Leung unanimously voted as shareholders for all resolutions in all shareholders' meetings of Milestone Specialty of which they were shareholders.

The Controlling Shareholders confirmed that throughout the Track Record Period, they had discussed all shareholders' resolutions involving key decisions of all Operating Companies from time to time; and reached a consensus on such resolutions prior to approving so by the respective shareholders of each of the Operating Companies so that unanimous consent from the four individual Controlling Shareholders was achieved even on shareholders' resolutions of the Operating Companies in which they were not direct or indirect shareholders as such and to the extent appropriate across the shareholders' meetings of all Operating Companies.

HISTORY AND DEVELOPMENT

iii. co-operated to obtain, maintain and consolidate control of the Operating Companies:

Each of the Controlling Shareholders has agreed to the application for Listing and effected the Reorganisation, and in particular, swapped their direct and indirect interests in the Operating Companies to direct interests in the Company under the Reorganisation so as to rationalise his interests.

The Controlling Shareholders had jointly invested in the Operating Companies for approximately five years since the last Controlling Shareholder, namely Mr. Lui, became a shareholder of Milestone Specialty in February 2012.

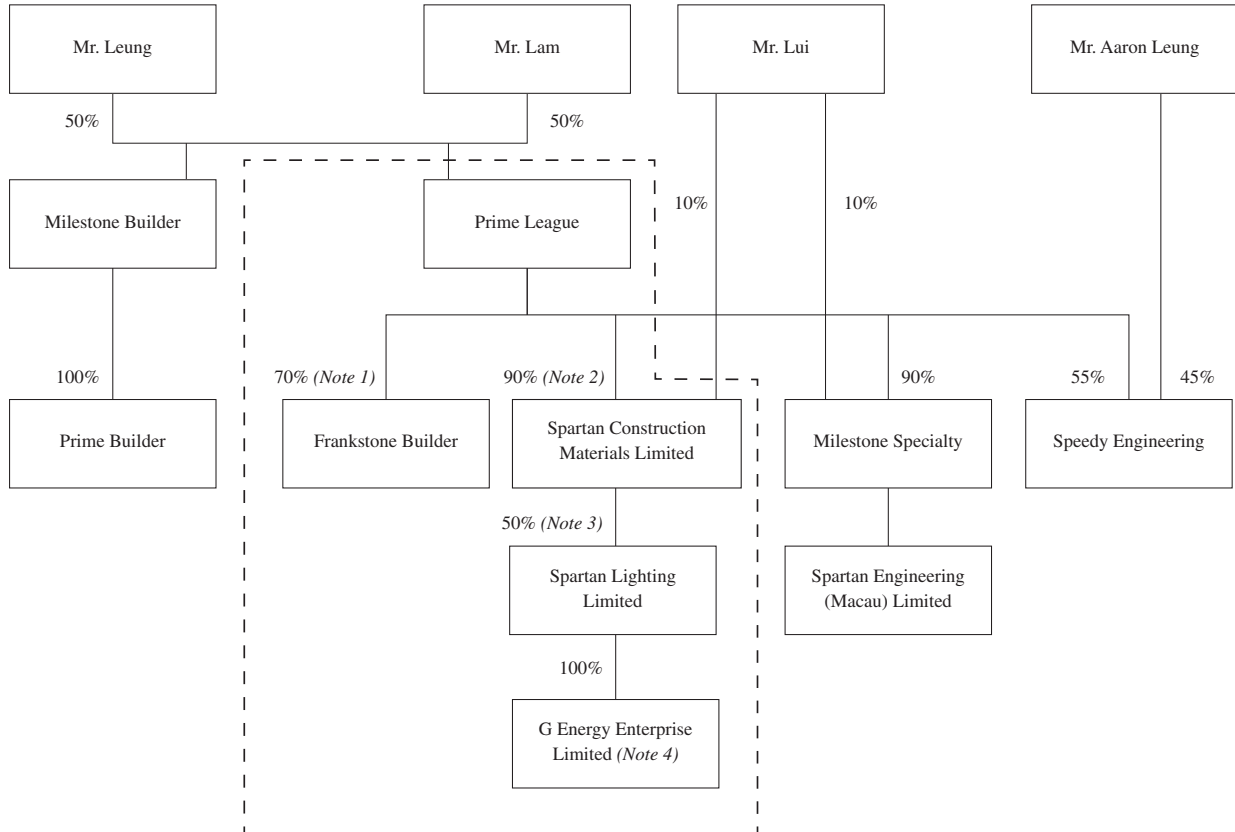
As stated above, prior to the Reorganisation, the Controlling Shareholders have made collective decisions in respect of the operational and financial aspects of the Operating Companies on the understanding that the same decisions would be subsequently approved by the respective boards of directors or shareholders of and implemented by the Operating Companies. Oral consensuses were reached in the meetings of the Controlling Shareholders, which was followed by unanimous votes at general meetings or shareholders' resolutions, where applicable; as further demonstrated by the fact that the Operating Companies have adopted uniform operational and financial systems throughout the Track Record Period. As such, notwithstanding there is no written documentation to record the consensus building process before progressing to the stage of voting at general meetings or passing Shareholders' resolutions, the arrangement was being implemented and was in existence for more than four and a half years prior to the Reorganisation.

Please refer to the paragraph headed "Concert Party Deed" in this section of the prospectus for further information of confirmations made by the Controlling Shareholders in relation to the control, management and collective decision making of the Operating Companies.

HISTORY AND DEVELOPMENT

REORGANISATION

The following diagram sets out the shareholdings and corporate structure of our Group before the Reorganisation:



 companies not included in our Group

Notes:

- (1) The remaining 30% interest in Frankstone Builder is held by Mr. Hon Chi Ping, an Independent Third Party. Please also refer to step (vi) in the paragraph headed “Reorganisation” in this section below for further details of Frankstone Builder.
- (2) Please refer to the paragraph headed “Relationship with Controlling Shareholders and Non-competition Undertaking — Interests of the Controlling Shareholders in Other Business” in this prospectus for further details of Spartan Construction Materials Limited.
- (3) The remaining 50% interest in Spartan Lighting Limited is held by Mr. Hui Shun (being an Independent Third Party), Mr. Aaron Leung, Mr. Leung and Mr. Lam as to 25%, 11.24%, 6.88% and 6.88%, respectively. Please refer to the paragraph headed “Relationship with Controlling Shareholders and Non-competition Undertaking — Interests of the Controlling Shareholders in Other Business” in this prospectus for further details of Spartan Lighting Limited.
- (4) Please refer to the paragraph headed “Relationship with Controlling Shareholders and Non-competition Undertaking — Interests of the Controlling Shareholders in Other Business” in this prospectus for further details of G Energy Enterprise Limited.

HISTORY AND DEVELOPMENT

Our Group has undergone a reorganisation in preparation for the Listing which involved the following steps:

- (i) Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 June 2016 with an authorised share capital of HK\$380,000 divided into 3,800,000 Shares. One fully paid Share was allotted and issued to an initial subscriber.
- (ii) On 8 June 2016, the initial subscriber Share was transferred to Mr. Leung at par value of HK\$0.1 and one newly allotted fully paid Share was issued to Mr. Lam at par value of HK\$0.1.
- (iii) Milestone Builder BVI was incorporated in the BVI on 13 June 2016 as a company limited by shares and is authorised to issue a maximum of 50,000 shares of US\$1 each. One fully paid share at par value was allotted and issued to our Company on the same day.
- (iv) Prime Builder BVI was incorporated in the BVI on 13 June 2016 as a company limited by shares and is authorised to issue a maximum of 50,000 shares of US\$1 each. One fully paid share at par value was allotted and issued to our Company on the same day.
- (v) Synda was incorporated in the BVI on 6 September 2016 as a company limited by shares and is authorised to issue a maximum of 50,000 shares of US\$1 each. One fully paid share at par value was allotted and issued to our Company on the same day.
- (vi) On 23 September 2016, Prime League transferred 70% of the issued share capital of Frankstone Builder to Mr. Hon Chi Ping, the other shareholder holding the remaining 30% of the issued share capital of Frankstone Builder immediately before the said transfer and an Independent Third Party, at a consideration of HK\$7,000 which was based on the net asset value of Frankstone Builder as at 15 September 2016.

Frankstone Builder was incorporated in Hong Kong on 8 April 2014 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Prime League subscribed 7,000 shares at HK\$1.00 per share and Mr. Hon Chi Ping, an Independent Third Party, subscribed 3,000 shares at HK\$1.00 per share on the date of incorporation respectively. Frankstone Builder is engaged in engineering and construction services. The executive Directors considered that should Frankstone Builder be included in the Group as a non-wholly owned subsidiary of the Company, it would not bring any additional benefit to the Group given that the operating subsidiaries of the Company can provide the same types of building and construction services; and should Frankstone Builder be included in the Group as a wholly owned subsidiary of the Company, it would have adverse impact on the cash position of the Group or a dilutive effect on the shareholdings of the Controlling Shareholders in the Company as a result of the acquisition. Accordingly, the Company did not acquire any interest in Frankstone

HISTORY AND DEVELOPMENT

Builder. In order to avoid any competing interest held by the executive Directors and the Controlling Shareholders, Prime League disposed of 70% interest in Frankstone Builder as referred to above.

- (vii) On 20 September 2016, Milestone Builder, Prime Builder BVI, the Company, Mr. Leung and Mr. Lam entered into an agreement pursuant to which Prime Builder BVI acquired from Milestone Builder 8,000 shares in Prime Builder, representing all the issued share capital thereof, for a total consideration of HK\$8,000 based on the par value of such 8,000 shares; and pursuant to the agreement, the Company issued and allotted 1,011 Shares and 1,011 Shares to Mr. Leung and Mr. Lam at par value of HK\$0.1 per Share, respectively, which issue and allotment were completed on 18 November 2016.
- (viii) On 20 September 2016, Mr. Leung, Mr. Lam, Milestone Builder BVI and the Company entered into an agreement pursuant to which Milestone Builder BVI acquired from Mr. Leung and Mr. Lam 4,200,000 shares in Milestone Builder, representing all the issued share capital in Milestone Builder in consideration of the Company allotting and issuing 3,107 Shares and 3,107 Shares to Mr. Leung and Mr. Lam credited as fully paid, respectively, which issue and allotment were completed on 18 November 2016.
- (ix) On 20 September 2016, Prime League, Synda, the Company, Mr. Leung and Mr. Lam entered into an agreement pursuant to which Synda acquired from Prime League 313,500 shares in Speedy Engineering, representing 55% of the issued share capital thereof, for a nominal consideration of HK\$1; and pursuant to the agreement, the Company issued and allotted 237 Shares and 237 Shares to Mr. Leung and Mr. Lam at par value of HK\$0.1 per Share, respectively, which issue and allotment were completed on 18 November 2016.
- (x) On 20 September 2016, Prime League, Synda, the Company, Mr. Leung and Mr. Lam entered into an agreement pursuant to which Synda acquired from Prime League 18,000 shares in Milestone Specialty, representing 90% of the issued share capital thereof, for a nominal consideration of HK\$1; and pursuant to the agreement, the Company issued and allotted 405 Shares and 405 Shares to Mr. Leung and Mr. Lam at par value of HK\$0.1 per Share, respectively, which issue and allotment were completed on 18 November 2016.
- (xi) On 20 September 2016, Mr. Aaron Leung, Synda and the Company entered into an agreement pursuant to which Synda acquired from Mr. Aaron Leung 256,500 shares in Speedy Engineering, representing 45% of the issued share capital thereof, for a nominal consideration of HK\$1; and pursuant to the agreement, the Company issued and allotted 388 Shares to Mr. Aaron Leung at par value of HK\$0.1 per Share, which issue and allotment were completed on 18 November 2016.

HISTORY AND DEVELOPMENT

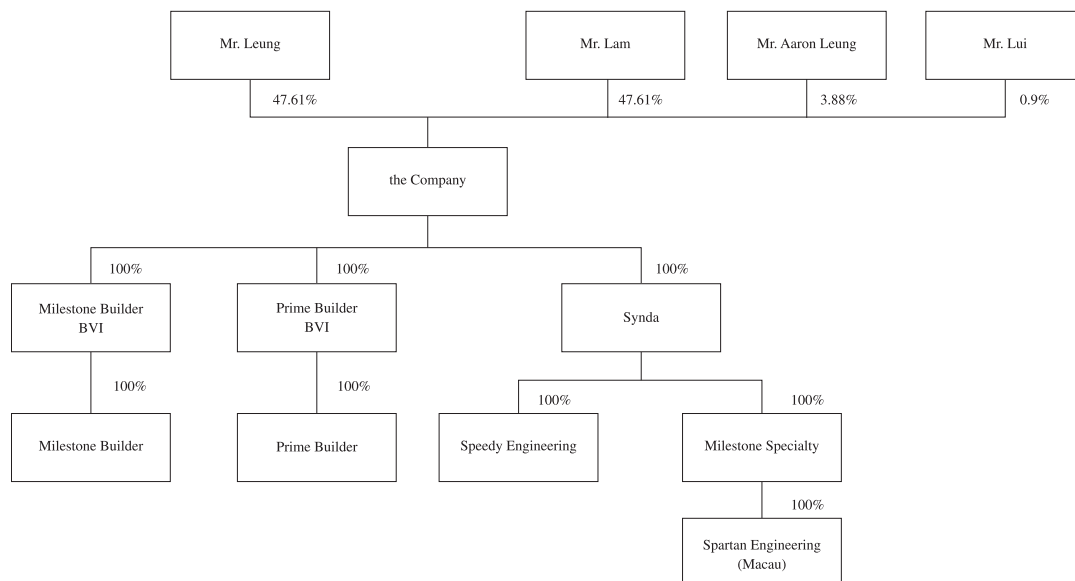
(xii) On 20 September 2016, Mr. Lui, Synda and the Company entered into an agreement pursuant to which Synda acquired from Mr. Lui 2,000 shares in Milestone Specialty, representing 10% of the issued share capital thereof, for a nominal consideration of HK\$1; and pursuant to the agreement, the Company issued and allotted 90 Shares to Mr. Lui at par value of HK\$0.1 per Share, which issue and allotment were completed on 18 November 2016.

The shareholdings of Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui in the Company after completion of the steps in (vii) to (xii) above are determined by the respective net asset values of Prime Builder, Milestone Builder, Milestone Specialty and Speedy Engineering and the respective direct and indirect interests of Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui in the above four companies before completion of the above steps.

(xiii) On 13 March 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares to HK\$200,000,000 divided into 2,000,000,000 Shares.

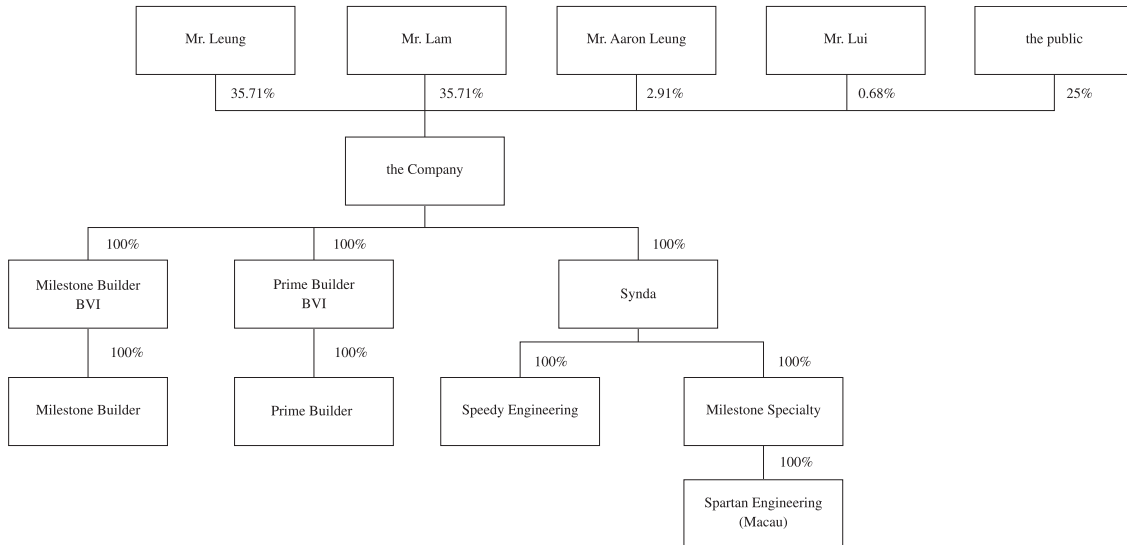
As a result of the Reorganisation, our Company became the holding company of our Group. As confirmed by our Directors, save as disclosed in the prospectus, there were no outstanding options, warrants and/or convertibles in respect of each member of our Group as at the Latest Practicable Date.

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



HISTORY AND DEVELOPMENT

The following diagram sets out the shareholdings and corporate structure of our Group immediately following completion of the Share Offer and the Capitalisation Issue, assuming that the Adjustment Options are not exercised:



CONCERT PARTY DEED

After completion of the Reorganisation, each of the Controlling Shareholders has been directly holding the Shares in the Company and they intend to continue to act in concert by casting unanimous votes at general meetings or passing unanimous shareholders' resolutions of the Company.

Given the uniformity of the Operating Companies and the collective control and management by the Controlling Shareholders, the Controlling Shareholders shall continue to be considered as a group of Shareholders after the completion of the Reorganisation. Accordingly, for the purpose of (i) recording such confirmation on the arrangement in the past as well as such agreement in the future; and (ii) the Listing, the Controlling Shareholders, namely Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui, entered into the Concert Party Deed on 27 September 2016 to confirm their acting in concert (as such term is defined under the Takeovers Code) arrangements on the Operating Companies.

Pursuant to the Concert Party Deed, each of the Controlling Shareholders confirmed that, among other things:

- (i) since the Speedy Acquisition on 12 November 2010, and the setting up of Milestone Specialty on 28 October 2011, (a) they had been and shall be parties acting in concert (having the meaning as ascribed to it under the Takeovers Code) collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to the financial and operational matters, of the Operating Companies; (b) they had casted and shall continue to cast unanimous votes as

HISTORY AND DEVELOPMENT

shareholders for or against all resolutions in all shareholders' meetings and discussions of the Operating Companies (to the extent that they or their controlled companies were the shareholders of the Operating Companies); and (c) they had co-operated and shall continue to cooperate with one another to obtain, maintain and consolidate control of the Operating Companies; and

- (ii) in the course of the Reorganisation and until the date of any written termination by them, (a) they have been and shall be parties acting in concert (having the meaning as ascribed to it under the Takeovers Code) collectively for all material management affairs and the arrival and/or execution of all commercial decisions including but not limited to the financial and operational matters, of our Group; (b) they have casted and shall continue to cast unanimous vote for or against all resolutions in the shareholders' meetings and discussions of our Group (to the extent that they or their controlled companies were or are the shareholders of the members of our Group); and (c) they have co-operated and shall continue to co-operate with each another to obtain, maintain and consolidate control of our Group.

BUSINESS

OVERVIEW

We are a long-established main contractor and subcontractor in Hong Kong. The principle business of our Group is the provision of: (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings.

The following table sets out a breakdown of our total revenue during the Track Record Period according to our three major types of services:

	For the year ended 31 March						For the six months ended 30 September					
	2014		2015		2016		2015		2016			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%		
	<i>(unaudited)</i>											
Building construction services	70,197	37.4	88,677	30.6	210,976	58.4	84,817	51.7	99,038	68.2		
Alteration, addition, fitting-out works and building services	108,049	57.5	167,953	57.9	120,515	33.3	63,407	38.6	36,078	24.9		
Repair and restoration of historic buildings	9,549	5.1	33,226	11.5	29,936	8.3	15,988	9.7	9,975	6.9		
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0		

During the Track Record Period and up to the Latest Practicable Date, 20, 40 and five major projects of building construction services, alteration, addition, fitting-out works and building services, and repair and restoration of historic buildings respectively were undertaken which had contract value over HK\$3 million. As at the Latest Practicable Date, there were nine, 26 and four on-going projects in progress, pertaining to (i) building construction services, (ii) alteration, addition, fitting-out works and building services, and (iii) repair and restoration of historic buildings, respectively. We had no major projects awarded to us but yet to commence as at the Latest Practicable Date. As at the Latest Practicable Date, the aggregate amount of revenue expected to be recognised after the Track Record Period of our on-going projects was approximately HK\$780.3 million of which approximately HK\$204.8 million is attributable to project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, being one of our major contracts undertaken during the Track Record Period. Approximately HK\$363.0 million of the aggregate outstanding project value is expected to be recognised in the year ending 31 March 2017. Furthermore, the revenue expected to be recognised in the six months ending 31 March 2017 and 30 September 2017 from the on-going projects are approximately HK\$217.9 million and HK\$208.6 million respectively.

BUSINESS

Sets forth below are the numbers of our major projects, with outstanding contract value and original contract value over HK\$3 million, and the outstanding contract values of those projects as at 31 March 2014, 2015 and 2016 and 30 September 2016:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
Number of major projects with outstanding contract value	14	14	12	20
Outstanding contract value (HK\$'000)	175,706	216,911	364,423	519,553

Notes:

1. The number of major projects and outstanding contract values include only of projects which had original contract value over HK\$3 million and with outstanding contract value as at 31 March 2014, 2015 and 2016 and 30 September 2016, either in progress or awarded but yet to commence.
2. The outstanding contract value is derived from the original contract sum, not taking further supplemental agreements or variation orders contract values into account, minus the corresponding revenue recognised in the previous financial years, of the major projects which had original contract value over HK\$3 million, until the project has been finished.

The following table sets forth our Group's revenue breakdown by contract size during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Under HK\$3 million	69,925	37.2	64,053	22.1	38,226	10.6	20,021	12.2	16,045	11.1
HK\$3 million– HK\$10 million	27,225	14.5	66,286	22.9	33,412	9.2	10,638	6.5	21,491	14.8
Above HK\$10 million	90,645	48.3	159,517	55.0	289,789	80.2	133,553	81.3	107,555	74.1
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0

We acted as both main contractor and subcontractor during the Track Record Period and up to the Latest Practicable Date. As a main contractor, we perform works according to the relevant contracts and may delegate works to our subcontractors under the supervision of and management by our project management team. Our role as a main contractor includes the provision of overall project management and the supervision of work conducted by our subcontractors and/or site workers to ensure that we conform to the contract requirements including quality, safety, environmental protection in carrying out the projects and that projects are completed on time and within budget. As a subcontractor, we generally work under the main contractor's supervision and complete our delegated services.

BUSINESS

Our Group's breakdown of revenue generated by acting as a main contractor and acting as a subcontractor during the Track Record Period was as follows:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Main contractor	95,515	50.9	89,342	30.8	95,576	26.4	43,231	26.3	49,423	34.1
Subcontractor	92,280	49.1	200,514	69.2	265,851	73.6	120,981	73.7	95,668	65.9
Total	<u>187,795</u>	<u>100.0</u>	<u>289,856</u>	<u>100.0</u>	<u>361,427</u>	<u>100.0</u>	<u>164,212</u>	<u>100.0</u>	<u>145,091</u>	<u>100.0</u>

We normally secured our projects through the tendering or quotation process. For public customers, we usually identify potential projects through (i) receipts of tender invitation; and (ii) reviewing tender invitations from various Government departments that are published on various different platforms including the Gazette. For private customers, we are generally invited by the customers or the agents representing the customer to tender or provide a quotation for the project. The table below sets forth the details on the number of tenders submitted and quotations provided by our Group and the corresponding success rate in respect of acceptance of our tenders and quotations by our customers during the Track Record Period:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
Number of projects tendered for/ quotation provided	430	503	454	212
Number of projects awarded	127	93	104	41
Success rate (%)	29.5%	18.5%	22.9%	19.3%

Our Directors consider that our historical success rates may not be reflective of our future success due to our non-discriminating strategy in submitting tender and providing quotation. Historically, as confirmed by our Directors, our Directors would respond to tender invitations or quotation requests by submitting tenders or providing quotations irrespective of the likelihood of being awarded the projects as long as the projects match our scope of services. The success rate for the year ended 31 March 2014 was relatively higher than the other years or period of the Track Record Period, which were relatively stable. Our Directors believe that this was due to our Group's competitive pricing strategy in submitting tender or quotation during the year ended 31 March 2014 in order to strengthen our presence in the industry. Our Directors consider that our competitive pricing strategy, coupled with the fact that we submitted higher proportion of tenders or quotations with lower contract sum, had enabled us to cater for a wider customer base and thereby contributed to a higher success rate for the year ended 31 March 2014. By submitting tenders, our Directors

BUSINESS

believe that we could (i) maintain the relationships with our existing customers and potential customers; (ii) strengthen our Group's presence in the construction industry; and (iii) demonstrate our active participation in the market to potential customers.

Revenue recognised during the three years ended 31 March 2016 and the six months ended 30 September 2016 in respect of projects awarded as a result of tender success or quotation acceptance amounted to approximately 98.1%, 98.4%, 99.7% and 99.9%, respectively, of our total revenue for the corresponding year and period.

Revenue recognised during the three years ended 31 March 2016 and the six months ended 30 September 2016 in respect of projects awarded solely as a result of tender success amounted to approximately 50.7%, 40.1%, 63.6% and 82.2%, respectively, of our total revenue for the corresponding year and period. Our total revenue contribution by contracts awarded through tender was relatively higher for the year ended 31 March 2016 and the six months ended 30 September 2016, resulting from a higher proportion of revenue generated from project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works which was awarded through tender.

During the Track Record Period, our customers included the Government, quasi-Government organisations, universities, schools, and private companies. During the three years ended 31 March 2016 and the six months ended 30 September 2016, revenue derived from our five largest customers amounted to approximately 73.4%, 69.5%, 65.8% and 65.9% of our total revenue respectively. We have maintained a business relationship with some of our major customers for over five years.

Our Group holds various construction related licenses and qualifications that enable us to bid for and carry out public works projects. Our Group is listed on the Contractor List and the Specialist List maintained by the WBDB. Being listed on the Contractor List and the Specialist List enables us to tender for Government contracts. Our Group has been included as a Group A (probation) contractor for “Buildings” category in the Contractor List since May 2012.

Revenue recognised during the three years ended 31 March 2016 and the six months ended 30 September 2016 in respect of projects awarded which required Group A (probation) contractor for “Buildings” category in the Contractor List amounted to approximately 8.8%, 7.3%, 2.6% and 6.5%, respectively, of our total revenue for the corresponding year and period.

Moreover, our Group is one of the approved specialist contractors under the “Repair and Restoration of Historic Buildings” category and under the “Electrical Installation” category of the Specialist List and is allowed to carry out works in relation to repair and restoration of Western-style and Chinese-style historic buildings in Hong Kong and electrical installation works.

According to the F&S Report, the total market size of the construction market increased from HK\$60.6 billion in 2010 to HK\$119.2 billion in 2015 at a CAGR of 14.5% and given the stable economic growth and the continued investment in public infrastructure, the size of the construction engineering market is expected to reach HK\$173.2 billion in 2020 at a CAGR of 7.8% from 2015

BUSINESS

to 2020. Our Directors are positive with potential growth in the industry we are engaged in. For further details regarding the industry, please refer to the paragraph headed “Industry Overview — Market Size and Growth Rates by Segments” in this prospectus.

MAJOR LICENSES, QUALIFICATIONS AND CERTIFICATIONS

As at the Latest Practicable Date, our Group has obtained the following major licenses, qualifications and certifications in Hong Kong:

Relevant authority/ Organisation	Relevant list/Category	License	Holder	Date of first grant/ Registration	Expiry date for existing license	Authorised contract value
WBDB ¹	Approved Contractors for Public Works — Buildings Category	Group A (probation) ²	Milestone Builder	2 May 2012	Not Applicable	Contracts of value up to HK\$100 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category ³	—	Milestone Builder	4 June 2013	Not Applicable	Not Applicable
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Electrical Installation Category	Group II of Electrical Installation (probation)	Speedy Engineering	21 June 2016	Not Applicable	Contracts/sub-contracts of value up to HK\$5.7 million
Buildings Department	Certificate of Registration of General Building Contractor ⁴	—	Milestone Builder	29 October 2008	14 October 2017	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor ^{5,6}	Type A–D, F, G (Class I, II, III) ^{7,8}	Milestone Builder	2 September 2011	2 September 2017	Not Applicable
Buildings Department	Certificate of Registration of Specialist Contractor ⁹	Site Formation Works ¹⁰	Milestone Builder	27 September 2006	10 September 2018	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor	Type A, B, D, G (Class II & III)	Speedy Engineering	7 March 2013	7 March 2019	Not Applicable

¹ WBDB refers to the Works Branch Development Bureau (發展局工務科) of the Government. The Development Bureau has maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Government contracts.

² A Group A (probation) contractor may tender for any number of Group A contracts (i.e. contracts of value up to HK\$100 million) in the same category, provided the total value of works in the Group A contracts that it already holds and the Group A contract being procured under the same category does not exceed \$100 million.

BUSINESS

- ³ A Repair and Restoration of Historic Buildings Category contractor is eligible to tender for Government contracts relating to repair and restoration of historic buildings and structures.
- ⁴ The current license was granted on 28 August 2014 and will expire on 14 October 2017.
- (Registered general building contractors (RGBC) may carry out general building works and street works which do not include any specialized works in the designated categories).
- ⁵ Minor Works Contractors are eligible to carry out various types of minor works.
- ⁶ Minor works are classified into three classes according to their scale, complexity and risk to safety and are subject to different degree of control. Minor works are grouped into seven types (i.e. Types A, B, C, D, E, F and G) according to their nature.
- ⁷ Type A (Alteration and Addition Works); Type B (Repair Works); Type C (Works relating to Signboards); Type D (Drainage Works); Type E (Works relating to Structures for Amenities); Type F (Finishes Works); and Type G (Demolition Works).
- ⁸ Class I (High degree of complexity and risk with 44 minor works items); Class II (Medium degree of complexity and risk with 40 minor works items); and Class III (Low degree of complexity and risk with 42 minor works items).
- ⁹ Registered specialist contractors may carry out specialized works in their corresponding categories in the sub-registers in which they have been entered. There are five categories of works designated as specialized works: demolition works, foundation works, ground investigation field works, site formation works and ventilation works.
- ¹⁰ All site formation works are specialized works of the site formation category save for the circumstances specified by the Buildings Department.

As confirmed by our Directors, our Group has at the Latest Practicable Date obtained all the necessary licenses, qualifications and certifications which are required to carry on our Group's activities in Hong Kong. Our Directors confirm that we have not experienced any refusal of renewal of the licenses, qualifications and certifications necessary for our operations during Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there are no material impediments for our Group to renew any of our licenses upon expiry of the same.

Compliance

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this prospectus, we were not in non-compliance with the applicable laws, rules and regulations, which in the opinion of our Directors, is likely to have a material adverse impact on our business, prospects, financial condition or results of operation.

To ensure that our Group is able to obtain and maintain all necessary licenses, qualifications and certifications for our operation in Hong Kong in a timely manner, we maintain records which set out recording their relevant information including their respective renewal requirements. The administration, accounting and finance department is responsible for making submissions to the relevant authorities prior to the expiry of the licenses, qualifications and certifications and checking

BUSINESS

all applicable requirements are complied with a timely manner to ensure that we maintain valid licenses, qualifications and certifications for the services we render our customers. Our executive Directors will review our licenses, qualifications and certifications from time to time.

COMPETITIVE STRENGTHS

Our Directors believe that our Group, with its experienced management and extensive project experience, has established a reputation in the construction industry in Hong Kong. Our Directors believe the following competitive strengths have contributed to our Group's continued success and potential for growth.

Diversified experience and capabilities

We accumulated over 10 years of experience in building construction services, and alteration, addition, fitting-out works and building services.

Along with our qualification as a Group A (probation) contractor under the Buildings category in Hong Kong, we are also qualified as one of 29 contractors on the Specialist List under the "Repair and Restoration of Historic Buildings" category, as at the Latest Practicable Date in which we are allowed to carry out our works in relation to the repair and restoration of Western-style and Chinese-style historic buildings in Hong Kong.

Our executive Directors, Mr. Lam and Mr. Leung and most of our senior management, have experiences ranging from over 14 years to 34 years in the construction industry. Mr. Lam, Mr. Leung and most of our senior management possess extensive knowledge, substantial project experience and industry insight, which not only enabled us to submit competitive tender proposals or quotations in a timely manner, but they have also improved our estimations in terms of time and cost of our projects, thereby increasing our competitiveness in the market.

Our Directors believe that with the qualifications mentioned above and the experience we accumulated over 14 years of operation, we will be able to continue undertaking projects of various kinds and capture the growth opportunities in the construction industry. As at the Latest Practicable Date, most of our senior management team has either received tertiary education or above or obtained professional qualifications. Please refer to the section headed "Directors, Senior Management and Staff" in this prospectus for further details of the qualifications and experiences of our Directors and senior management. With their combination of experience, knowledge and insight, our Directors believe that our management team is able to lead our Group to excel in this competitive industry and take advantage of our market position to ensure our future growth.

Established relationships with customers, subcontractors and the construction materials suppliers

We have established relationships with our customers. We believe that our quality is evidenced by the years of relationship between our Group and its customers and number of projects secured with repeated customers. Over 30 customers awarded us with more than one project which contributed to our revenue during the Track Record Period and a number of such customers did business with us for over five years.

We established business relationships with our major subcontractors and construction materials suppliers ranging from approximately one to nine years and one to five years, respectively. Our Directors believe an established relationship with subcontractors is a strength and edge in maintaining our competitiveness in the market and ensuring stability and efficiency of our operations. Our Directors also believe that established business relationships with our construction materials suppliers would help us to ensure the quality of materials supplied to us and allow our Group to have adequate supply of materials especially when there is a limited supply situation.

Solid track record in repairing and restoring historic buildings

Our Group was admitted to the Specialist List under the “Repair and Restoration of Historic Buildings” category in June 2013 and is allowed to carry out works in relation to repair and restoration of Western-style and Chinese-style historic buildings in Hong Kong. In view of the initiatives undertaken by the Government to preserve and maintain historic buildings under the Revitalisation Scheme and Maintenance Scheme and our possession of the necessary licences, qualifications and project experience in preservation and maintenance of historic buildings, our Directors believe that we are well positioned to capture the emerging business opportunities in connection with the Revitalisation Scheme and Maintenance Scheme, which will not only enable our Group to enhance our reputation and market position, but it will also strengthen our Group’s ability in generating revenue. During the Track Record Period, we handled various repair and restoration projects in Hong Kong. We were responsible for the repair and restoration of historic buildings of a former Government office in Central, which was commenced in 2014 and was substantially completed in 2015. We also performed works on revitalising and conserving a cluster of historic houses in Wan Chai, which commenced in 2013 and is still undergoing.

Comprehensive building construction contracting services

With more than 14 years of operating history, our Group acquired substantial project experience for a wide range of works, including but not limited to building construction works; alteration, addition and fitting-out works and building services; and repair and restoration works for historic buildings. Further, we acquired extensive knowledge and technical capabilities to provide tailor-made services that address the different needs of our customers. We believe that our extensive project experience, our strong knowledge and technical capabilities in provision of comprehensive building construction services to our customers, together with our dedication in

BUSINESS

delivering high-quality and cost-efficient services to our customers, helped our Group ensure the consistency and quality of our work and give us a competitive edge in capturing new businesses from existing and new customers.

In-house site staff and site workers in carrying out construction works

As at the Latest Practicable Date, our Group had a team of over 150 staff members which comprise quantity surveyors, safety and health staff, technical staff, foremen and site workers with relevant skills to ensure we can complete quality construction works efficiently. According to a survey conducted by the Hong Kong Construction Association, labour shortage in the construction industry in Hong Kong has been an on-going problem to contractors. Therefore, our Directors believe possession of our own team of in-house site staff and site workers is one of our competitive advantages as we are able to monitor the quality of works performed and maintain flexibility when managing our resources. We provide trainings and promotion prospects to our employees. Our Directors believe these efforts would raise the overall efficiency and quality of our employees and help attract and retain talents.

BUSINESS STRATEGIES

Continue to expand our scope of services in building construction works

In order to provide comprehensive services to our customers, we intend to expand our services in building construction works and apply for additional licenses, permits or qualifications which may be required. Upon Listing, our Group will have more capital resources in which we may proceed to tendering for more Government projects.

Our Group performed more subcontracting works than main contracting works. For some main contract works, we are required to meet certain working capital requirements. Therefore, we intend to use our proceeds from the Listing to boost our working capital in order to undertake these main contract works and to expand our business. Upon Listing, we intend to use the proceeds from the Listing to (i) apply for the Group B (probation) license in approved contractors for public works in the buildings category in WBDB with which our Group will be eligible to tender for any number of Group A contracts and Group B contracts of value up to HK\$300 million, as compared to the eligibility to tender for Group A contracts of value up to HK\$100 million under the Group A (probation) license currently possessed by our Group in order to participate more actively in tendering for public projects as a main contractor; and (ii) apply for the Group M2 license in the maintenance works category of building contractors in the Housing Authority for tendering construction works from the Housing Authority so as to expand our portfolio of construction works.

BUSINESS

To be eligible for the qualification of Group B (probation) license in approved contractors for public works in the buildings category in WBDB via the direct entry route, the contractor should meet the following major requirements set out in the contractor management handbook published by the Development Bureau:

- i. a minimum employed capital of HK\$5.2 million plus HK\$2.9 million for every \$43 million of annualised outstanding works or part thereof above HK\$78 million, subjected to a maximum of HK\$14.7 million;
- ii. a minimum working capital of HK\$5.2 million or 10% on annualised outstanding works, whichever is higher;
- iii. registration with the Building Authority's register of general building contractors;
- iv. satisfactory completion of one building works contract within the past five years, which shall be of value over 70% of the Group B limit (i.e. HK\$210 million, being 70% of HK\$300 million);
- v. at least one member of the resident top management having a minimum experience of three years, out of which two years shall be local experience, in managing a construction firm obtained in the past five years; and
- vi. at least one technical staff having the qualifications of either (a) higher certificate in building studies/civil engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in building works; or (b) ordinary certificate in building studies/civil engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and three years local working experience in building works.

As at the Latest Practicable Date, Milestone Builder fulfilled the requirements mentioned in (iii) and (v) above. For the capital requirements in (i) and (ii) and the work experience requirement in (iv) above, we intend to increase Milestone Builder's employed capital and working capital through the net proceeds received by us from the Share Offer, details of which are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus, and the Directors expect the work experience requirement to be fulfilled by September 2018. We will ensure that the technical staff requirement in (vi) will be met at the time we submit our application for the Group B (probation) license. To fulfill the requirement, we plan to identify appropriate personnel with the necessary qualification within the Group; or recruit the suitable calibre. Upon meeting all the above requirements, we intend to apply the Group B (probation) license via the direct entry route no later than September 2019. Our Directors expect that Milestone Builder will obtain Group B (probation) license no later than March 2020. Based on the reasons discussed above, our Group considers that there is no legal impediment for the Group's proposed application for probationary status in Group B in the category of buildings in the list of approved contractors for public works in WBDB.

BUSINESS

To be eligible for the qualification of Group M2 (probation) license in the maintenance works category of building contractors with the Housing Authority, the contractor should meet the following major requirements set out in the guide to registration of works contractors and property management services providers published by the Housing Authority:

- i. a minimum employed capital of
 - (1) if total value of outstanding works is below HK\$148 million, HK\$4.9 million plus HK\$2.9 million for every HK\$43 million of outstanding works or part thereof above HK\$73 million (subject to a maximum of HK\$10.6 million), or 10% of total assets, whichever is higher;
 - (2) if total value of outstanding works reaches HK\$148 million or above, HK\$14.8 million plus HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$950 million, or 10% of total assets, whichever is higher;
- ii. a minimum working capital of
 - (1) if total value of outstanding works is below HK\$148 million, HK\$4.9 million, or 10% of outstanding works, whichever is higher;
 - (2) if total value of outstanding works reaches HK\$148 million or above, HK\$14.8 million, or 8% on first HK\$950 million of outstanding works and 10% on remainder, whichever is higher;
- iii. having a loss ratio equal or less than 30%, where the loss ratio is the weighted average of the annual ratios of the operating profit/loss over the opening balance of the shareholders' funds or net worth (as per audited accounts) for each of the past three years, with weights of 3:2:1 (higher weight being given to the more recent year);
- iv. registration with the Building Authority's register of general building contractor;
- v. certification in ISO 9001, ISO 14001 and OHSAS 18001 with the scope of carrying out building activities to keep, restore and improve the facilities of buildings and surroundings;
- vi. completion, as main contractor, maintenance/improvement projects within the past three years for Housing Department, other government departments or private sector and two of those completed projects shall each cost not less than HK\$30 million with records of satisfactory performance;
- vii. at least one technical director registered in Buildings Department and not be the same person as the contract manager/project manager (as defined below);

BUSINESS

- viii. at least two contract managers/project managers having the qualifications of registered authorised signatory in Building Authority and not to be the same person as the technical director (as mentioned in vii) and either a (a) Hong Kong institute of architects (HKIA)/ member of the Hong Kong institute of surveyors (MHKIS)/member of Hong Kong institute of Engineers (MHKIE)/member of Hong Kong institute of construction managers (MHKICM) or equivalent with three years relevant local managerial experience and capacity in the construction or maintenance field or (b) degree in architecture, building surveying, building technology & management, structural engineering or equivalent with five years relevant local managerial experience and capacity in the construction or maintenance field or (c) higher diploma/higher certificate/ diploma in architecture, building surveying, building technology & management, structural engineering or equivalent with eight years relevant local managerial experience and capacity in the construction or maintenance field; and
- ix. at least two site agents having the qualifications of either a (a) member of the Hong Kong institute of clerks of works (MHKICW)/member of the institute of clerks of works and construction inspectorate (MICWCI) or equivalent with five years relevant local experience in construction industry or (b) higher diploma/diploma/higher certificate in building studies or civil/structural engineering or equivalent with eight years relevant local experience in construction industry.

As at the Latest Practicable Date, Milestone Builder fulfilled the requirements mentioned in (iii)–(vii) above. For the capital requirements in (i) and (ii) above, we intend to increase Milestone Builder’s employed capital and working capital through the net proceeds received by us from the Share Offer, details of which are set out in the section headed “Future Plans and Use of Proceeds” in this prospectus. We will ensure that our then contract/project managers and site agents requirements in (viii) and (ix) will be met at the time we submit our application for the Group M2 (probation) license. To fulfill the requirements, we plan to identify appropriate personnel with the necessary qualification within the Group; or recruit the suitable calibre. Upon meeting all the above requirements, we intend to apply the Group M2 (probation) license no later than the end of September 2017. Our Directors expect that Milestone Builder will obtain the Group M2 (probation) license no later than March 2018. Based on the reasons discussed above, our Group considers that there is no legal impediment for the Group’s proposed application for probationary status in Group M2 (probation) in the maintenance works category of building contractors in the Housing Authority.

For further details on our engagement in applying for more or higher grading licenses, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Continue to strengthen our market position in the industry and expand our market share in Hong Kong

After the Government announced the building of a third runway at Hong Kong International Airport, the Signature Project Scheme and the provision of barrier free access and facilities, the growth of the structures and facilities for the coming years is expected to be significant. Moreover,

BUSINESS

as evident by the Revitalisation Scheme and the Maintenance Scheme, the Government's policies to stimulate urban renewal plans and to revitalise old industrial buildings provide greater market opportunities to public contractors in Hong Kong. We intend to continue to leverage on our various licenses and qualifications and extensive experience in construction industry and to participate in the forthcoming projects of the 10 mega infrastructure projects in order to strengthen our position in the Hong Kong market.

Explore new construction techniques and methodologies

Our Group intends to explore new construction techniques and methodologies, to look for ways to lower our cost and to enhance the quality of project management and implementation. We also intend to enhance our information technology system and database by implementing the BIM software for better project monitoring and control.

Continue to improve our human resources management system

Our Group considers that our employees are crucial to our continuing success. We believe recruiting, training, retaining and motivating professional staff with outstanding performance and a broad range of experience is critical to maintaining our competitive strengths and seeking success. Our Group has invested and will continue to invest in our employees, and will continue to recruit and train suitable personnel for our business. We have a systematic approach to recruit talent to suit our business development needs.

In view of the escalating needs on public works projects by the Government, our Group intends to expand our services in building construction works. Owing to the above, our Group intends to recruit additional qualified and experienced staff to expand our in-house team of professional staff. Our Group also plans to continue to enhance its human resources management processes and regularly evaluate the performance of our employees and provide competent employees with career prospect within our Group. We will also continue to evaluate our compensation system and optimise our incentive program to ensure that we offer competitive compensation packages to our employees and those incentives are aligned with performance.

Implementation of business strategies

As at the Latest Practicable Date, our Directors confirm that our Group has not identified any target for acquisition and do not have any acquisition plan. For further details on the implementation of the abovementioned business strategies, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

BUSINESS MODEL AND OUR OPERATION

We are principally engaged in the provision of (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings.

Building construction services

Building construction services includes structural and/or engineering works. We generally provide building construction services to both public and private customers, including but not limited to the Government and private companies in Hong Kong. Our main responsibilities consist of (i) overall building construction including building, piling, demolition and site formation; (ii) supplying or procuring the supply of materials and where necessary, engagement of subcontractors; (iii) ensuring the works are carried out in accordance with the contract specifications and customer's requirements; (iv) liaising with all parties to ensure the project is progressing in a timely manner; and (v) performing specified services. One of our projects that included building construction services is Hong Kong, Zhuhai, Macao Bridge ancillary building works. In such project, we construct the buildings and facilities including architectural and builders works, reinforced concrete frames, water retaining structure, foundations (excluding piling works and pre-drilling works), brickwork and block work, wood works, ironmongery, steel and metal works, plastering and paving, glazing, painting, supply sanitary fittings, building's works in connection with building services installation, miscellaneous works etc.

During the Track Record Period, revenue contribution from our building construction services segment was approximately HK\$70.2 million, HK\$88.7 million, HK\$211.0 million and HK\$99.0 million for the three years ended 31 March 2016 and the six months ended 30 September 2016 respectively, which amounted to approximately 37.4%, 30.6%, 58.4% and 68.2% of our total revenue for the respective period.

Alteration, addition, fitting-out works and building services

During the Track Record Period, revenue contribution from our alteration, addition, fitting-out works and building services segment was approximately HK\$108.0 million, HK\$168.0 million, HK\$120.5 million and HK\$36.1 million for the three years ended 31 March 2016 and the six months ended 30 September 2016 respectively, which amounted to approximately 57.5%, 57.9%, 33.3% and 24.9% of our total revenue for the respective period. Our alteration, addition, fitting-out works and building services cover areas such as commercial and Government buildings. The alteration, addition, fitting-out works and building services we generally provide includes various types such as waterproofing works, removal or installation of hardware, general renovation works (painting, brickwork, plastering, etc.) and installation of fire system. During the Track Record Period, we performed alteration and addition works for a hotel development project in Tsim Sha Tsui. The project commenced in 2013 and was completed in 2014.

BUSINESS

Repair and restoration of historic buildings

During the Track Record Period, revenue contribution from our repair and restoration of historic buildings segment was approximately HK\$9.5 million, HK\$33.2 million, HK\$29.9 million and HK\$10.0 million for the three years ended 31 March 2016 and the six months ended 30 September 2016 respectively, which amounted to approximately 5.1%, 11.5%, 8.3% and 6.9% of our total revenue for the respective period. Both public and private customers invited us to provide repair and restoration of Western-style and Chinese-style historic buildings in Hong Kong. During the Track Record Period, we acted as a contractor and handled several repair and restoration of historic building projects, including the repair and restoration of a former Government office in Central.

Main contracting and subcontracting

We acted as both main contractor and subcontractor for our projects. As a main contractor, we are responsible for overlooking the entire project. Our scope of responsibilities includes (i) communicate and understand project requirements, and update and keep record of project management programmes such as work breakdown structure and schedule of works; (ii) liaise with and allocate works between subcontractors and our Group to ensure all works are conducted in a timely manner; (iii) on-site supervision and ensure all works are completed in accordance with customer's requirement and contract specifications; (iv) engage subcontractors, material suppliers and other professional parties; and (v) identify and address any issues which may affect completion or quality of works. As a subcontractor, we work under a main contractor's supervision and complete delegated services.

Projects completed

The following tables set out our completed contracts during the Track Record Period and up to the Latest Practicable Date with contract sum of HK\$3 million or above:

Project code	Particulars of project	Main category of works	Project period	Awarded contract sum	Amount of revenue recognised during the Track Record Period			
					For the year ended 31 March			For the six months ended 30 September
			(Note 1)	(Note 2)	2014	2015	2016	2016
				(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
A1	Superstructure works of a new columbarium building at a cemetery in Chai Wan	Building construction services	November 2014 to May 2016	99,392	—	25,099	67,388	4,705
A3	Design and build for the proposed new compound and airlines offices in or nearby the Hong Kong International Airport	Building construction services	June 2014 to July 2016	29,437	—	8,172	19,955	502

BUSINESS

Project code	Particulars of project	Main category of works	Project period	Awarded contract sum	Amount of revenue recognised during the Track Record Period			
					For the year ended 31 March			For the six months ended 30 September
					2014	2015	2016	2016
			<i>(Note 1)</i>	<i>(Note 2)</i>	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
A4	Design and build for a storage in Yuen Long	Building construction services	June 2014 to January 2017	34,174	—	4,982	21,384	16,117 <i>(Note 3)</i>
A5	Extension to a columbarium of a cemetery in Tsuen Wan	Building construction services	October 2012 to March 2015	38,383	9,499	16,087	—	2,712
A6	Design and construction of a training ground in Tai Po	Building construction services	March 2013 to July 2013	22,000	20,785	447	—	—
A7	Construction of soccer pitch in Yuen Long	Building construction services	October 2013 to May 2016	14,735	3,226	6,115	5,214	460
A8	Landscape works in area 27, Tuen Mun	Building construction services	October 2013 to July 2015	13,714	4,298	8,683	919	1,438
A9	Construction of new weather radar	Building construction services	July 2013 to April 2015	13,800	3,893	5,986	2,237	901
A10	Open niches in a cemetery in Tsuen Wan	Building construction services	August 2013 to January 2014	10,822	7,501	—	856	—
A11	Construction of a pet garden in Tuen Mun	Building construction services	December 2012 to July 2014	5,216	4,279	1,647	758	242
A12	Design and construction for new artificial turf system soccer field for a college in Yau Ma Tei	Building construction services	February 2014 to April 2014	5,700	1,088	4,931	181	47
A13	Construction works for a public toilet in Mong Kok	Building construction services	August 2012 to June 2013	9,857	4,556	1,105	—	—
B1	Alteration and addition works for hotel development project in Tsim Sha Tsui	Alteration, addition, fitting-out works and building services	April 2013 to March 2016	48,892	26,750	22,555	11,008	—

BUSINESS

Project code	Particulars of project	Main category of works	Project period	Awarded contract sum	Amount of revenue recognised during the Track Record Period			
					For the year ended 31 March			For the six months ended 30 September
					2014	2015	2016	2016
			<i>(Note 1)</i>	<i>(Note 2)</i>	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
B2	Renovation work, alternation and addition works to a shopping centre in Causeway Bay	Alteration, addition, fitting-out works and building services	September 2014 to September 2015	34,380	—	24,626	10,457	985
B3	Renovation works for a student hall of a university at Pok Fu Lam	Alteration, addition, fitting-out works and building services	June 2015 to September 2015	27,000	—	—	29,858	—
B4	Renovation works of an estate in Tseung Kwan O	Alteration, addition, fitting-out works and building services	November 2013 to February 2015	15,267	1,765	13,884	—	945
B6	Renovation to a traffic centre	Alteration, addition, fitting-out works and building services	January 2014 to August 2014	9,888	1,667	7,092	214	—
B7	Campus development of an institute in Tseung Kwan O	Alteration, addition, fitting-out works and building services	May 2015 to June 2016	12,250	—	—	8,262	3,592
B8	Fitting-out for a commercial development in Shek Mun	Alteration, addition, fitting-out works and building services	December 2015 to August 2016	4,364	—	—	8,199	69
B9	Plumbing and drainage for a school in Lam Tin	Alteration, addition, fitting-out works and building services	April 2014 to January 2016	8,364	—	6,217	673	—
B10	Repairs for a school in Clear Water Bay	Alteration, addition, fitting-out works and building services	April 2014 to July 2014	5,330	1,678	4,931	—	244
B11	Construction of uninterruptible power supplies room and refurbishment of server room and associated building services installation for a Government office in Tai Po	Alteration, addition, fitting-out works and building services	November 2015 to July 2016	8,319	—	—	6,392	1,754

BUSINESS

Project code	Particulars of project	Main category of works	Project period	Awarded contract sum	Amount of revenue recognised during the Track Record Period			
					For the year ended 31 March			For the six months ended 30 September
					2014	2015	2016	2016
			<i>(Note 1)</i>	<i>(Note 2)</i>	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
B12	Fitting-out works for an office in Cheung Sha Wan	Alteration, addition, fitting-out works and building services	July 2014 to January 2015	3,226	—	6,290	33	—
B13	Fitting-out works of a medical center in Westwood	Alteration, addition, fitting-out works and building services	June 2014 to September 2014	5,215	—	5,732	457	—
B14	Fitting-out, alternation and addition works for a data center in Tuen Mun	Alteration, addition, fitting-out works and building services	October 2012 to June 2013	11,709	6,129	—	—	—
B15	Renovation works for a shopping center in Tseung Kwan O	Alteration, addition, fitting-out works and building services	July 2014 to September 2014	4,687	—	5,823	164	—
B16	Interior fitting-out works for an office in Tseung Kwan O	Alteration, addition, fitting-out works and building services	July 2013 to June 2014	5,693	5,275	430	60	—
B17	Fitting-out works of a lobby	Alteration, addition, fitting-out works and building services	January 2015 to May 2015	4,636	—	1,787	3,897	—
B18	Repairs for a school in Kowloon	Alteration, addition, fitting-out works and building services	August 2014 to September 2014	5,630	—	5,263	4	—
B19	Renovation works for a shopping centre in Tseung Kwan O	Alteration, addition, fitting-out works and building services	February 2014 to March 2014	4,700	3,580	1,108	266	—
B20	Fitting-out works of a Government office	Alteration, addition, fitting-out works and building services	January 2015 to May 2015	3,653	—	1,237	3,268	330

BUSINESS

Project code	Particulars of project	Main category of works	Project period	Awarded contract sum	Amount of revenue recognised during the Track Record Period			
					For the year ended 31 March			For the six months ended 30 September
					2014	2015	2016	2016
			<i>(Note 1)</i>	<i>(Note 2)</i>	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
B21	Fitting-out works in Chai Wan	Alteration, addition, fitting-out works and building services	January 2014 to March 2014	3,750	1,698	2,328	119	—
B22	Additions & alternation works in a shopping centre in Kowloon City	Alteration, addition, fitting-out works and building services	March 2013 to January 2016	3,464	3,403	—	211	—
B23	Refurbishment of a Government building in Caine House	Alteration, addition, fitting-out works and building services	July 2014 to January 2015	3,760	—	3,517	—	—
B24	Improvement works for sports centre and community hall in Tin Shui Wai	Alteration, addition, fitting-out works and building services	November 2014 to December 2014	3,075	—	3,075	—	—
B26	Improvement to barrier free access facilities to a columbarium in Sha Tin	Alteration, addition, fitting-out works and building services	September 2015 to September 2016	9,300	—	—	3,312	1,988
B37	Refurbishment of roofs and booking office for a municipal services building in Tsuen Wan	Alteration, addition, fitting-out works and building services	November 2015 to April 2016	3,905	—	—	—	3,753
C2	Relocation for a Government office in Central	Repair and restoration of historic buildings	January 2014 to December 2015	10,639	189	6,467	3,950	—
C3	Improvement works for a church in Central	Repair and restoration of historic buildings	July 2015 to November 2015	4,589	—	—	5,191	—
C4	Design and build works for a church in Ma On Shan	Repair and restoration of historic buildings	September 2014 to November 2014	3,924	—	3,773	13	—

BUSINESS

Notes:

1. Project period generally refers to the period from the date of the invoice of the first interim payment or purchase order or the date on the architect certificate or the date on the commencement letter or the commencement date as stipulated in the report on contractor's performance to the date of completion of our works stipulated on the practical completion certificates or the date on the last invoice of interim payment or purchase order or the date on the handover work report.
2. The awarded contract sum refers to the original contract sum stated in the letter of acceptance, original tender documents or contract, without taking into account any optional items, adjustments due to variation orders and prolongation of the project period.
3. Our Group entered a supplemental agreement for project A4 with the customer of contract sum of approximately HK\$9.2 million during the financial year ended 31 March 2016. Accordingly, the amount of revenue recognised up to 30 September 2016 was in excess of the awarded contract sum.

Projects in progress as at the Latest Practicable Date

The following tables set out brief details of our projects in progress as at the Latest Practicable Date with contract sum of more than HK\$3 million:

Project code	Particulars of project	Main category of works	Expected project period	Awarded contract sum	Amount of revenue recognised up to 31 January 2017	Percentage of completion as at 31 January 2017
			<i>(Note 1)</i>	<i>(Note 2)</i> (HK\$'000)	(HK\$'000)	<i>(Note 5)</i> (%)
A2	Hong Kong, Zhuhai, Macao bridge ancillary building works	Building construction services	August 2015 to October 2017	339,342	192,765	57
A15	Hong Kong, Zhuhai, Macao bridge boundary crossing facilities	Building construction services	July 2016 to August 2017	91,414	6,584	7
A16	Hong Kong, Zhuhai, Macao Bridge steel and metal works	Building construction services	July 2016 to August 2017	25,773	—	—
A17	Design and construction for new artificial turf system for a soccer field in a school in Kowloon	Building construction services	June 2016 to October 2016	6,830	7,084 <i>(Note 3)</i>	104
A18	Construction of new buildings in Mong Kok	Building construction services	September 2015 to December 2016	27,040	27,344 <i>(Note 3)</i>	101

BUSINESS

Project code	Particulars of project	Main category of works	Expected project period	Awarded contract sum	Amount of revenue recognised up to 31 January 2017	Percentage of completion as at 31 January 2017
			<i>(Note 1)</i>	<i>(Note 2)</i> (HK\$'000)	<i>(Note 3)</i> (HK\$'000)	<i>(Note 5)</i> (%)
A19	Design and build for school extension and improvement projects	Building construction services	August 2016 to August 2018	65,658 <i>(Note 4)</i>	3,693	6
A20	Design and construction for a proposed recreational ground in a school	Building construction services	May 2016 to November 2016	5,909	4,847	82
A21	Upgrading two artificial turfs of a university	Building construction services	December 2016 to March 2018	18,052	—	—
B5	Alteration and addition works of a club in Causeway Bay	Alteration, addition, fitting-out works and building services	August 2015 to January 2017	15,321	14,744	96
B25	Lobby and driveway renovation of a hotel in Tsim Sha Tsui	Alteration, addition, fitting-out works and building services	August 2016 to December 2016	22,000	14,047	64
B27	Enabling works for network in Hung Hom	Alteration addition, fitting-out works and building services	September 2016 to November 2016	4,640	3,383	73
B28	Plumbing and drainage installation works	Alteration addition, fitting-out works and building services	March 2016 to June 2017	28,831	11,329	39
B29	Electricity works of a water treatment plant in Tai Po	Alteration addition, fitting-out works and building services	September 2016 to July 2017	7,180	546	8
B30	Replacement of existing lifting machines in Yuen Long	Alteration, addition, fitting-out works and building services	September 2016 to May 2017	5,812	—	—
B31	Fitting-out works for a delivery office in Tseung Kwan O	Alteration, addition, fitting-out works and building services	November 2016 to January 2017	6,091	5,559	91

BUSINESS

Project code	Particulars of project	Main category of works	Expected project period	Awarded contract sum	Amount of revenue recognised up to 31 January 2017	Percentage of completion as at 31 January 2017
			<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 5)</i>	
				(HK\$'000)	(HK\$'000)	(%)
B32	Alternation & additional works for a retail network project in Hung Hom	Alternation, addition, fitting-out works and building services	November 2016 to July 2017	63,500	1,527	2
B33	Refurbishment of seats & carpets in an auditorium in Kwai Chung	Alternation, addition, fitting-out works and building services	March 2017 to August 2017	4,643	—	—
B34	Provision of children's play equipment and facilities for the elderly in sitting-out area in Tuen Mun	Alternation, addition, fitting-out works and building services	January 2017 to December 2017	3,895	—	—
B35	Advance works for utility diversion for extension of a clubhouse in Happy Valley	Alternation, addition, fitting-out works and building services	December 2016 to April 2017	3,038	—	—
B36	Fitting-out works to lift lobby and atrium for a commercial development in Shek Mun	Alternation, addition, fitting-out works and building services	April 2016 to September 2016	6,982	6,959	100
B38	Electrical works for a holiday camp in Sai Kung	Alternation, addition, fitting-out works and building services	September 2016 to December 2017	9,613	207	2
B39	Plumbing, sanitaryware and above ground drainage installation in a redevelopment project in Wan Chai	Alternation, addition, fitting-out works and building services	October 2016 to October 2017	9,513	556	6
B40	Alternation and addition works for a project in Yuen Long	Alternation, addition, fitting-out works and building services	March 2017 to June 2018	152,743	—	—

BUSINESS

Project code	Particulars of project	Main category of works	Expected project period	Awarded contract sum	Amount of revenue recognised up to 31 January 2017	Percentage of completion as at 31 January 2017
			<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 5)</i>	
				(HK\$'000)	(HK\$'000)	(%)
C1	Revitalisation and conservation for a cluster of house in Wan Chai	Repair and restoration of historic buildings	September 2013 to April 2017	56,924	46,261	81
C6	Conservation works for the revitalisation at a former magistracy in Fanling	Repair and restoration of historic building	July 2016 to May 2017	6,023	995	16

Notes:

1. Project period generally refers to the period in the work programme of the project or the period stated in the contract or letter of acceptance or tender or order to commence or architects instruction.
2. The contract sum refers to the contract sum stated in the original tender documents or contract, which is subject to adjustments due to variation orders and prolongation of the project period.
3. Our Group entered into variation work orders for projects A17 and A18 with the respective customer during the financial year ending 31 March 2017. Accordingly, the amount of revenue recognised up to 31 January 2017 was in excess of awarded contract sum.
4. The tender for this project included quotations for different options and the customer has accepted our tender but, as of the Latest Practicable Date, the customer has not decided on which option to use. The contract sum stated here refers to the contract sum for the option with the lowest amount as stated in the tender documents.
5. Percentage of completion of a project as at 31 January 2017 is calculated by taking the revenue recognised for the project up to 31 January 2017 and dividing it by the contract sum of the project.

Projects awarded but not commenced as at the Latest Practicable Date

As at the Latest Practicable Date, there are no projects with contract sum of HK\$3 million or above awarded but not yet commenced.

OPERATIONS

The following diagram illustrates the principal steps of the workflow in a typical transaction for all three types of principal services of our Group, namely (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings:

Project identification



Tendering/Quotation submission

- Tender/quotation review and preparation process
- Submission of tender/quotation proposed and award of contract



Project implementation

- Formation of project team
- Procurement of materials and equipment
- Implementation of works by direct labour and/or delegation of works to subcontractors



Inspection and application of payment and certification

- Inspection
- Application for payment and certification

The process commencing from invitation to submit tender or request to provide quotation to acceptance of our tender or quotation from customers generally takes around two months. The time taken for submission of tender or preparing quotation and award of contract is generally dependent on the size and complexity of the project, and the time specified by the customer ultimately determines the project duration and time.

Project identification

We generally identify potential projects through (i) receiving letters of invitations or otherwise becoming aware of open tenders; or (ii) requests for quotation from our customers or their agents. The tender notice or quotation request generally includes brief description of the works required, contract period, closing time of submitting tender or providing quotation and other particulars of the project.

Private customers

With respect to private customers in Hong Kong, our customers or the agents representing our customers may send us invitations directly inviting us to tender or to provide quotation for projects. Large corporations and listed companies generally rely on the tender process or quotations obtained in selecting their contractors.

Public customers

Public customers in Hong Kong include departments of the Government and quasi-Government entities. We review the Government Gazette or tender notices on Government's websites on a weekly basis to find suitable tenders. In the case of selective tendering, the relevant entity will notify us by letter of invitation if we are on the relevant list of approved contractors/suppliers.

Tendering/Quotation

Tender review and quotation preparation process

Our Group has a tendering team which consists of quantity surveyors with our executive Director, Mr. Leung, as the leader. For details of the qualifications of Mr. Leung, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus. Upon receiving an invitation to submit tender or quotation request, the tendering team will review the invitation for tender or quotation request with respect to the scope of work, complexity, difficulty, cost, time frame and previous similar projects completed by our Group for the evaluation of the manageability and profitability of the project.

We will also conduct a preliminary analysis and the tendering team will generally conduct risk assessment to assess whether our Group has the necessary license, resources and funding to meet contract requirement. Results of such analysis and assessment, together with the profitability and manageability of the project, will be considered in deciding whether to submit the tender or provide the quotation. In the event that we consider the project is commercially viable, our tendering team will proceed to prepare the tender or quotation for submission. Our tender generally includes (i) form of tender; (ii) schedule of rates/bill of quantities; and (iii) summary of tender. Our quotation generally includes (i) schedule of rates/bill of quantities; (ii) description of contract work elements; and (iii) the purposed total contract value.

Submission of tender or provision of quotation and award of contract

Before the tender is submitted or quotation is provided for major contract, the project secretary will review it and our management will approve.

Price determination

When we prepare our quotation for a prospective project, we will estimate the gross profit margin in terms of monetary value and percentage. Our Directors believe that the gross profit margin of a project depends on various factors, including but not limited to the scale, complexity and specifications of the projects, our capacity, the estimated project cost (which mainly includes the direct labour cost and material costs based on the preliminary quotations from our suppliers and subcontractors), historical fee we received for similar projects, the current fee level in the market and competitive conditions at the contract negotiation stage. Our executive Directors and senior management will assist in the preparation of quotations and are responsible for analysing the project requirements and estimate the amount of materials, labour and time required for completing the project on time. Supporting quotations from suppliers and subcontractors will also be obtained for forming our estimation. Our quotation generally contains a price list which sets out the fee in relation to each work task to be carried out. Our Directors confirm that fluctuations of material prices would generally be passed on to our customers during the process of price determination.

Our management is responsible for determining the final price of our major project. However, in the event that our Group is required to perform variation works which are not included in the original project specification after the project commencement, we and our customer will perform measurement and evaluation to the variation works and make adjustment to the contract sum.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no incidents of significant deviation which resulted in material impact to our business operations and financial position.

Subsequent to the submission of our quotation for our projects, we will respond to queries raised by our customers and/or negotiate with our customers about the contract terms. We keep records of all tenders or quotations submitted, irrespective of its results. Such arrangement generally facilitates us to carry out evaluation, review and adjustment of strategy in preparing future quotation.

After tender or quotation submission, the customer may by way of interviews or enquiries clarify with our Group the particulars of the tender or quotation. Based on the tender or quotation our Group submitted, the customer may further negotiate with our Group on the commercial and technical terms.

Upon being successful with our tender or acceptance of our quotation, the customer then confirms the awards of contract to our Group in the form of letter of award or intent, purchase order, or a formal contract entered into between our Group and the customer.

Project implementation

As soon as our customers formally engaged us, we will form a project team which will be responsible to formulate and submit a master programme that facilitates the overall management of the project to our customers specifying the different components of the works and the sequence and

timeframe proposed for carrying out the works. The implementation process includes formation of a project team, formulation of master programme, procurement of materials and equipment and implementation of works by our site workers and/or delegation of works to subcontractors.

Formation of project team

A project team is formed for each project. In general, the project team comprises a project director, project manager, site agent, quantity surveyor, project engineer, project coordinator, registered safety officer, safety supervisor and foremen. Our project team is responsible for formulation and submission of master programme, overall management of our project which includes arrangement of subcontractors and sourcing of materials in accordance with the work plan and the programme as contained in the tender or other contractual document. The project team will also review the designs and provide advice to the designs as necessary.

Set out below are some general duties performed by our key personnel during the implementation stage of the projects awarded to us:

(i) *Project director*

Mr. Lam, one of our executive Directors, is our project director and is mainly responsible for reviewing and providing company resources of overall planning, implementation and supervision of the projects, selection of appropriate personnel, suppliers and subcontractors for execution of the projects and provision of support and resources required to maintain safe and healthy working conditions to the projects. For further details in relation to the qualification background of Mr. Lam, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

(ii) *Project manager*

Our project manager is accountable to the project director. The project manager is responsible for appointing site staff, managing and controlling the operation of the project, assessing the qualification and experience of project staff and ensuring compliance with contractual and statutory requirement.

(iii) *Site agent*

Our site agent is mainly responsible for supervising at construction sites to ensure works are carried out in accordance with specifications and drawings, checking all machinery and plants, including power and hand tools, to ensure all machinery and plants are in good conditions, planning, directing, organizing and controlling activities of a construction project, developing and implementing quality control programs, coordinating with material and supply chain management under the instruction of a project manager and project director, and regularly reporting to the project manager on the project status.

(iv) *Quantity surveyor*

Our quantity surveyor is mainly responsible for cost planning throughout the entire life cycle of the project from tendering or providing quotation to post-completion, such as keeping the project on time and within the budget and ensuring that construction costs and production are managed as efficiently as possible. The quantity surveyor is also responsible for preparing interim payment application and final account, preparing subcontractors' interim payment and executing site measurement works.

(v) *Project engineer*

Our project engineer is accountable to the site agent. Our project engineer is responsible for designing and calculating some temporary structures, performing technical, organisational and supervisory role and liaising with any consultants, subcontractors, quantity surveyor and general workforce involved in the project.

(vi) *Project coordinator*

Our project coordinator is accountable to the project manager and/or the site agent. The project coordinator is responsible for reviewing customer requirements, informing related staff about the amended service requirements, supervising workers on site, procuring materials, equipment and plant required, supervising and coordinating the works of subcontractors, inspecting fieldworks, monitoring work progress and communicating with our foremen about each project's detailed operations.

(vii) *Registered safety officer*

Our registered safety officer is mainly responsible for advising site management on safety issues and prevention of injury and legal requirements in respect of safety and health, assisting with safety trainings for all levels of employees, supervising the analysis and information on injuries and damage, assess accident trends and review overall safety performance, developing safety policies according to the latest standard, and monitoring workplace activities to ensure that workers are in compliance with our Group's policies and Government's safety regulations.

(viii) *Safety supervisor*

Our safety supervisor is mainly responsible for assisting our registered safety officers in carrying out their duties, supervising the observance of the workers of the safety standards and arranging and carrying out health and safety inspection program and monitoring the safety performance of the supervising staff and the subcontractors.

(ix) *Foreman*

Our foreman is mainly responsible for supervising workers at the construction sites to ensure works are carried out in accordance with specifications and drawings, checking all machinery and plants, including power and hand tools to ensure all machinery and plants are in good conditions, and arranging the supply of materials. A foreman reports to the site agent on the project status and issues.

Procurement of construction materials and equipment

We generally purchase the construction materials from suppliers and purchase or lease equipment where necessary for our projects. Generally, our suppliers would send the construction materials we purchased to the work site directly. Common construction materials include concrete, sand, steel, cement, lighting materials, timber, door accessories and metal works. Our Group determined the quantity of materials to be stored at the site based on the work schedule, and all materials sourced will be stored at the work site for direct utilisation. Our Group does not usually keep any construction materials as our inventory as such construction materials are procured on a project-by-project basis in accordance with the project specifications. Depending on the nature of works and/or in the event that it is cost-effective for the subcontractor to directly provide such materials, the subcontractor may source the construction materials. The cost of such materials as provided by the subcontractors are included in the subcontracting charges. Nevertheless, our Directors are of the view that, in order to ensure the quality of the construction materials to be used meets our customer's expectations and conforms to contractual requirements, our Group may purchase certain construction materials for our subcontractors. Normally, settlement of payments are made monthly with 0–60 days credit period by cash or cheque on or before delivery of construction materials. We have established working relationships with our construction materials suppliers and do not foresee any material difficulties in sourcing construction materials in the future.

To ensure the quality of our services, we have procedures for selecting and engaging suppliers from our list of approved suppliers as detailed in the paragraph headed “Suppliers and Subcontractors — Selection criteria for suppliers and subcontractors” in this section of the prospectus.

Some of the building construction works in our projects require the use of machinery and equipment. Depending on the project, our subcontractors may be required to equip themselves with the necessary machinery for carrying out their works. For details on machinery, please refer to the paragraph headed “Machinery” in this section of the prospectus.

Implementation of works by our site workers and/or delegation of works to subcontractors

In some of our projects, we delegate parts of the construction works to the subcontractors. The works we subcontract to our subcontractors are generally labour intensive or require specific skill sets, such as demolition, hoarding, concreting, painting, woodwork, steel and metal work, bar-bending and waterproofing. To ensure high quality of work, we, in general, discourage our subcontractors to further subcontract the works. With the engagement of subcontractors, our

BUSINESS

Directors believe that we are able to diversify our risks and focus on quality assurance. Our Directors further believe that we can better monitor the project as subcontracting reduces the need for our Group to monitor a large number of works with different skills. Moreover, we can better manage our resources as for some of our projects, specific skillset and techniques may be required and our Group, as a general builder, may not possess such skillset and techniques. To ensure the quality of our services, we have procedures for selecting and engaging subcontractors from our list of approved subcontractors as detailed in the paragraph headed “Suppliers and Subcontractors — Selection criteria for suppliers and subcontractors” in this section of the prospectus.

Inspection and application of payment and certification

Inspection

In the course of implementation and execution of the project, our project team will conduct quality check and inspection on all works completed on a regular basis to ensure that the works performed by our Group and our subcontractors comply with the requirements as set out in the relevant contract. Our customers may also conduct inspection from time to time.

Application for payment and certification

Our Group recognises revenue based on the stage of completion of our works. We receive progress payment pursuant to the terms of each respective contract and our application for progress payment is typically made on a monthly basis. Upon receiving our payment application and after examination, our customer will issue an interim payment certificate certifying the works completed in the preceding month normally within around two to four weeks from the date of our payment application. Our customer will then make payment based on the certified amount less any retention money and/or discount and/or any adjustment to be made in accordance with the contract. Normally our customers make the payments within 30 days from the date of the interim payment certificate. Final payment is of the same procedure as the interim payment. Retention money will be returned upon expiration of the defect liability period.

SALES AND MARKETING AND CUSTOMERS

Sales and marketing

During the Track Record Period, our business opportunities arose from reviewing tender invitations from various Government department published on the Gazette or receiving invitation for tender or request for quotation. We have established relationships with our existing customers. Although we are able to rely on our existing customer base, reputation and customer referrals, we will undertake marketing activities such as putting up banners and/or signage displaying the names and logos of our Group at construction sites to publicize our Group.

BUSINESS

Customers

During the Track Record Period, we served public customers including the Government and quasi-Government entities as well as private companies. Generally, our projects are on contract by contract basis. During the three years ended 31 March 2016 and the six months ended 30 September 2016, total revenue of our Group amounted to approximately HK\$187.8 million, HK\$289.9 million, HK\$361.4 million and HK\$145.1 million respectively. A significant portion of our revenue was derived from private customers. For the three years ended 31 March 2016 and the six months ended 30 September 2016, revenue derived from private customers accounted for approximately 75.3%, 85.6%, 85.6% and 87.7% of our total revenue respectively. All our revenue are derived from services we provide in Hong Kong.

Set out below is our revenue contribution by sector of our customers during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Public customers	46,326	24.7	41,675	14.4	51,947	14.4	35,052	21.3	17,802	12.3
Private customers	141,469	75.3	248,181	85.6	309,480	85.6	129,160	78.7	127,289	87.7
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0

Note: For the purpose of this calculation, public customers include the Government, quasi-Government entities, charitable organisations and educational institutions.

Major customers

For the three years ended 31 March 2016 and the six months ended 30 September 2016, the percentage of revenue contributed by the five largest customers amounted to approximately 73.4%, 69.5%, 65.8% and 65.9% respectively while revenue from our largest customer represented approximately 26.0%, 33.0%, 23.0% and 35.7% respectively of our total revenue.

BUSINESS

Set out below is a breakdown of our Group's revenue by major customers in terms of revenue contribution during the Track Record Period:

For the year ended 31 March 2014

Rank	Customer	Background of the customer	HK\$'000	% of total revenue	Services provided by our Group	Relationship since
1	Wide Project Engineering & Construction Company ("Wide Project")	Private contractor in Hong Kong	48,816	26.0	Building construction services; alteration, addition, fitting-out works and building services	2002
2	Ocean Sky Hong Kong Investment Limited ("Ocean Sky")	Private property investment company in Hong Kong	26,750	14.2	Alteration, addition, fitting-out works and building services	2013
3	Customer A	Interior design and fitting-out company in Hong Kong	23,920	12.7	Alteration, addition, fitting-out works and building services	2011
4	Customer B	Council for construction related matters	20,785	11.1	Building construction services	2010
5	Customer C	Government departments	17,660	9.4	Building construction services; alteration, addition, fitting-out works and building services; repair and restoration of historic buildings	2008
Five largest customers combined			137,931	73.4		

For the year ended 31 March 2015

Rank	Customer	Background of the customer	HK\$'000	% of total revenue	Services provided by our Group	Relationship since
1	Wide Project	Private contractor in Hong Kong	95,667	33.0	Building construction services; alteration, addition, fitting-out works and building services	2002
2	Customer A	Interior design and fitting-out company in Hong Kong	42,756	14.8	Alteration, addition, fitting-out works and building services	2011
3	Customer C	Government departments	24,176	8.3	Building construction services; alteration, addition, fitting-out works and building services; repair and restoration of historic buildings	2008
4	Ocean Sky	Private property investment company in Hong Kong	22,555	7.8	Alteration, addition, fitting-out works and building services	2013
5	Wah Tat Construction Company ("Wah Tat")	Private contractor in Hong Kong	16,229	5.6	Repair and restoration of historic buildings	2013
Five largest customers combined			201,383	69.5		

BUSINESS

For the year ended 31 March 2016

Rank	Customer	Background of the customer	HK\$'000	% of total revenue	Services provided by our Group	Relationship since
1	Wide Project	Private contractor in Hong Kong	82,974	23.0	Building construction services; alteration, addition, fitting-out works and building services	2002
2	Customer D	Subsidiary of a listed transportation infrastructure company in Hong Kong	82,714	22.9	Building construction services	2015
3	Customer E	A student hall of a university in Hong Kong	30,051	8.3	Alteration, addition, fitting-out works and building services	2014
4	Tailake International Co Ltd (“ Tailake ”)	A private company in Hong Kong	21,919	6.1	Building construction services; alteration, addition, fitting-out works and building services	2014
5	Customer F	Subsidiary of a private construction and consulting group in Hong Kong	19,955	5.5	Building construction services	2014
Five largest customers combined			<u>237,613</u>	<u>65.8</u>		

For the six months ended 30 September 2016

Rank	Customer	Background of the customer	HK\$'000	% of total revenue	Services provided by our Group	Relationship since
1	Customer D	Subsidiary of a listed transportation infrastructure company in Hong Kong	51,816	35.7	Building construction services	2015
2	Tailake	A private company in Hong Kong	16,117	11.1	Building construction services; alteration, addition, fitting-out works and building services	2014
3	Wide Project	Private contractor in Hong Kong	10,633	7.3	Building construction services; alteration, addition, fitting-out works and building services	2002
4	Customer C	Government departments	10,595	7.3	Building construction services; alteration, addition, fitting-out works and building services; repair and restoration of historic buildings	2008
5	Wah Tat	Private contractor in Hong Kong	6,555	4.5	Repair and restoration of historic buildings	2013
Five largest customers combined			<u>95,716</u>	<u>65.9</u>		

BUSINESS

None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Group as at the Latest Practicable Date has any interest in any of the five largest customers of our Group during the Track Record Period. All of our five largest customers during the Track Record Period are Independent Third Parties.

Our Directors are of the view that our Group does not overly rely on any of our major customers having considered the following factors:

- (i) our Group is able to find substitute customers which is evident by the following: (a) our second largest customer for the year ended 31 March 2014 was Ocean Sky who contributed approximately 14.2% of our Group's total revenue in that financial year and its contribution to our Group's total revenue decreased to approximately 7.8% for the year ended 31 March 2015, and was no longer one of our five largest customers for the year ended 31 March 2016; (b) our fourth largest customer for the year ended 31 March 2014 was Customer B who contributed approximately 11.1% of our Group's total revenue in that financial year and was no longer one of our five largest customers for the two years ended 31 March 2016; (c) our fifth largest customer for the year ended 31 March 2014 was Customer C who contributed approximately 9.4% of our Group's total revenue in that financial year and its contribution to our Group's total revenue decreased to approximately 8.3% for the year ended 31 March 2015, and was no longer one of our five largest customers for the year ended 31 March 2016; (d) four of our five largest customers for the year ended 31 March 2016, namely Customers D, E, F and Tailake, were not among our five largest customers for the two years ended 31 March 2015; and (e) our Group generally does not enter into long term contract with our customers and therefore our Group is able to maintain its flexibility in choosing customers;
- (ii) Wide Project is a private contractor engaged in the provision of construction services in Hong Kong and has been an approved general building contractor since the start of business relationship with us in 2002. Before our Group was approved as general building contractor in 2008, we had been engaged by Wide Project as subcontractors for projects awarded to Wide Project as we did not have the necessary licenses to tender for building works as main contractor. Despite the fact that our Group was approved as general building contractor in 2008, we continued to undertake projects from Wide Project instead of tendering for the relevant projects directly as a main contractor in view of our established business relationship. For the three years ended on 31 March 2016 and the six months ended 30 September 2016, our revenue from Wide Project represented approximately 26.0%, 33.0%, 23.0% and 7.3% of our total revenue during the same period, respectively.

We have established relationships with our customers. Our Directors confirmed that there was no early termination of major contracts and material default that are due to fault of our Group during the Track Record Period and up to the Latest Practicable Date.

Key terms of contracts with customers

During the Track Record Period, we entered into legally binding contract with our customers on project-by-project basis upon acceptance of our tender or quotation by our customers. The key terms of the contracts with our customers are set out below:

(i) *Scope of work and resource allocation*

The scope of work specifies the site and the works which we need to perform and sometimes reference is made to detailed specifications and drawings annexed to the contracts. The contract may also include the percentage of specific technical staff to be allocated to the project.

(ii) *Contract period*

The term of our contracts are generally less than two years but may be subject to application for extension of time so that original contract period may be extended. The contract period generally sets out the tentative date for possession and the completion date. Our contracts provide both parties the right to terminate in different specific circumstances.

(iii) *Progress payment*

We generally submit a payment application for progress payments for completed works of the current month on a monthly basis. The application contains a statement setting out our estimate of the gross valuation of the work we have performed in the preceding month. The payment is subject to satisfaction of the inspection and assessment carried out by our customers or their representatives and an interim payment certificate would generally be issued within around two to four weeks from the date of our payment application. Upon presentation of the certified payment certificate, our customer will make payment to us deducting any retention money and/or discount and/or any adjustment to be made in accordance with the contract to be retained by our customer in accordance with the contract.

(iv) *Defect liability period*

We are generally responsible during a specified defect liability period for rectifying all defects or faults our customers or their representatives identify. This period is normally 12 months from the practical completion of the project. A reasonable deduction in the contract sum payable to our Group may also be made for the defects.

(v) *Retention monies*

Customers are generally entitled to hold up a portion of progress payment to secure the due performance of our Group. During the Track Record Period, public and private customers generally hold up to a maximum of 5% of the contract sum as retention money. However, they will normally release 50% of the retention money upon completion or shortly after practical completion of the project and the remaining 50% of the retention money upon the end of the defect liability period.

BUSINESS

As at 31 March 2014, 2015 and 2016 and 30 September 2016, our retention monies receivable were approximately HK\$14.3 million, HK\$20.8 million, HK\$23.5 million and HK\$22.5 million respectively.

(vi) *Orders for variations*

Customers may issue instructions ordering variation to the design, quality or quantity of the works in the course of our performance of the relevant contract. Where the work for variation is the same or similar to the work prescribed in the contract, the rate for the works under the variation order usually accord with the provision of the schedule of rates in the contract. Should there be no equivalent or similar items under the construction contract for reference, our customer and our Group will negotiate for adjustment in contract price.

(vii) *Protective provisions for customers*

Some customers may require our Group to provide a surety bond issued by a bank or insurance company in favour of them in addition to the retention monies. Surety bonds may be required by customers to safeguard the due performance of the contract by our Group. As at 31 March 2014, 2015 and 2016 and 30 September 2016, our surety bonds issued by banks or insurance companies to our customers were approximately HK\$10.8 million, HK\$9.3 million, HK\$11.3 million and HK\$11.1 million respectively. Our Group provided surety bonds during the Track Record Period which were generally in an amount not exceeding 10% of the contract sum and will generally be released to our Group after practical completion of the project.

(viii) *Price adjustment provision*

In some of our contracts, a price adjustment mechanism may apply and the total contract sum may be adjusted if there are any fluctuation for the cost of the labour and materials.

(ix) *Termination of contracts*

Grounds upon which contracts may be terminated by our customers generally include if our Group (a) suspended the carrying out of the works after receiving from our customers' notice to proceed; (b) failed to proceed with the works with due diligence or is persisting in breach of the contract; or (c) not complying with the instructions of our customers.

Grounds upon which our Group may terminate contracts generally include if our customers did not pay an amount certified due to us within the period for payment as stated in the contract or caused the carry out of the whole or substantially the whole of the works to be suspended for a prescribed period.

One of our customers engaged us on 8 October 2013 to perform construction works for a development project. As the construction works were suspended for almost a year, we notified our customer that the contract could no longer be performed at the original award sum and we requested our customer either to reimburse us with cost escalations or to abort the contract. Subsequently, we entered into a deed of settlement with our customer mutually agreeing to

BUSINESS

discharge and release each other from the contract with compensation from the customer. Our Directors confirm that the cancellation of the contract was due to the customer's commercial decision and did not have any material impact on the financial position of the Company.

Contra-charge arrangement with our customer

According to the Frost & Sullivan Report, it is common in the construction industry for a main contractor to pay on behalf of its subcontractors for certain expenses in the project, which would be subsequently deducted from its payments to that subcontractor in settling the interim payments and final accounts to the subcontractor. Such payment arrangement is referred to as a "contra-charge arrangement" and the amount involved is referred to as "contra-charge".

We had contra-charge arrangement with one of our major customers, Customer D, for the year ended 31 March 2016 and the six months ended 30 September 2016. Such contra-charge mainly consisted of purchase costs of construction materials and other miscellaneous items. Our customer may purchase construction materials specified in the contract to our Group and such purchase cost of construction materials will be settled by netting it off the payments due to us from our customer. For the year ended 31 March 2016 and the six months ended 30 September 2016, our total contra-charge incurred amounted to approximately HK\$24.9 million and HK\$14.6 million, which was attributable to project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works from Customer D.

Set out below is a table showing the information on Customer D from whom we had material contra-charge arrangement during the Track Record Period:

	For the year ended 31 March 2016		For the six months ended 30 September 2016	
	HK\$'000	Approximate %	HK\$'000	Approximate %
Customer D				
Revenue derived from Customer D and approximate % of total revenue	82,714	22.9%	51,816	35.7%
Contra-charge incurred and charged by Customer D and approximate % of total purchase of construction materials	24,908	33.4%	14,647	47.1%
Average gross profit margin ^(Note)		22.0%		22.0%

Note: The average gross profit margin was derived by dividing the sum of gross profit of all projects related to that customer by the total revenue derived from that customer for the respective year.

SUPPLIERS AND SUBCONTRACTORS

Selection criteria for suppliers and subcontractors

Our Group maintains a list of approved suppliers and subcontractors which is updated on an ongoing basis. The assessment includes evaluating and reviewing their (i) performance; (ii) reputation; (iii) quality of products or services; (iv) price; (v) credit period; (vi) delivery; (vii) commitment to quality; (viii) responsibility; (ix) control of material, service or workmanship; and (x) response. We select subcontractors and suppliers from our approved subcontractors and suppliers list based on their previous experience, skills, present work load, price quotations and historical work quality. We from time to time review and update our internal approved list of subcontractors and suppliers according to their performance assessment.

As at the Latest Practicable Date, our list of approved suppliers and subcontractors had over 240 suppliers and 150 subcontractors. During project implementation, our project managers will meet with the engaged subcontractors and closely monitor their work progress and performance. The standard subcontracts entered into between our Group and the subcontractors generally provide that the subcontractors are required to observe the requirements and provisions the relevant parts of the tender or main contract documents.

To ensure the quality of our services and except if certain suppliers or subcontractors are designated by our customers for the project, we generally refer to these lists when selecting a supplier or a subcontractor for our projects.

Suppliers

Our Group's construction materials suppliers include but not limited to suppliers of concrete, sand, steel, cement, lighting materials, timber, door accessories and metal works. We engage our construction materials suppliers on a contract by contract basis therefore we have not established any long term agreements with our construction materials suppliers. For the three years ended 31 March 2016 and the six months ended 30 September 2016, our Group's five largest construction materials suppliers in aggregate accounted for approximately 22.6%, 26.5%, 37.4% and 30.6% respectively of the total purchases of construction materials, while our purchases from the largest construction materials supplier were approximately 6.0%, 7.5%, 11.5% and 8.1% respectively of the total purchases of construction materials. During the Track Record Period, our major suppliers are located in Hong Kong and all of our purchases are denominated in HK dollars. Our suppliers normally grant credit terms of 60 days or less to our Group and we generally settle our payment by way of cash or cheque. Our Group generally maintained multiple construction materials suppliers for products and services to avoid over-reliance on a single or a few construction materials suppliers. During the Track Record Period, we had no material shortage of the construction materials.

BUSINESS

Set out is a breakdown of the details of our Group's five largest suppliers of construction materials during the Track Record Period:

For the year ended 31 March 2014

Rank	Suppliers	Background of the supplier	Purchases of construction materials (HK\$'000)	Approximate percentage to the total purchases of construction materials (%)	Materials provided to our Group	Relationship since
1	Supplier A	An electronic material wholesale company	1,578	6.0	Electronic materials	2010
2	Supplier B	A steel supply company	1,393	5.3	Steel reinforcement	2012
3	Supplier C	A company engages in the provision of electrical, mechanical and building technologies services, large-scale installation services and operation and maintenance services	1,139	4.3	Door accessories and metal work	2011
4	Suppliers D1 and D2 (Note)	Concrete and metal supply companies	998	3.8	Concrete	2013
5	Supplier E	A concrete supply company	831	3.2	Concrete	2013
Five largest suppliers combined			<u>5,939</u>	<u>22.6</u>		

For the year ended 31 March 2015

Rank	Suppliers	Background of the supplier	Purchases of construction materials (HK\$'000)	Approximate percentage to the total purchases of construction materials (%)	Materials provided to our Group	Relationship since
1	Supplier B	A steel supply company	3,307	7.5	Steel reinforcement	2012
2	Supplier E	A concrete supply company	3,218	7.3	Concrete	2013
3	Supplier A	An electronic material wholesale company	2,622	5.9	Electronic materials	2010
4	Supplier F	A building material trading company	1,309	2.9	Cement, sand and bricks	2011
5	Supplier G	A company engages in the provision of lighting materials	1,287	2.9	Lighting materials	2015
Five largest suppliers combined			<u>11,743</u>	<u>26.5</u>		

BUSINESS

For the year ended 31 March 2016

Rank	Suppliers	Background of the supplier	Purchases of construction materials (HK\$'000)	Approximate percentage to the total purchases of construction materials (%)	Materials provided to our Group	Relationship since
1	Supplier A	An electronic material wholesale company	5,719	11.5	Electronic materials	2010
2	Suppliers D1 and D2 <i>(Note)</i>	Concrete and metal supply companies	5,068	10.2	Concrete	2013
3	Supplier H	A wood products supply company	3,760	7.6	Timber	2014
4	Supplier B	A steel supply company	2,154	4.3	Steel reinforcement	2012
5	Supplier F	A building material trading company	1,897	3.8	Cement, sand and bricks	2011
Five largest suppliers combined			<u>18,598</u>	<u>37.4</u>		

For the six months ended 30 September 2016

Rank	Suppliers	Background of the supplier	Purchases of construction materials (HK\$'000)	Approximate percentage to the total purchases of construction materials (%)	Materials provided to our Group	Relationship since
1	Supplier F	A building material trading company	1,326	8.1	Cement, sand and bricks	2011
2	Supplier I	A supplier of pumps and plumbing equipments	1,113	6.8	Pumps and plumbing equipments	2014
3	Supplier D1 and D2 <i>(Note)</i>	Concrete and metal supply companies	916	5.6	Concrete	2013
4	Supplier J	A pipes and fittings trading company	858	5.2	Pipes, fittings	2011
5	Supplier H	A wood products supply company	804	4.9	Timber	2014
Five largest suppliers combined			<u>5,017</u>	<u>30.6</u>		

Note: Supplier D1 and Supplier D2 are both owned by the same parent companies.

BUSINESS

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

Subcontractors

As constructions are normally labour intensive work, to maximise allocation of resources and utilise expertise of other subcontractors, we usually engage subcontractors to perform works in our projects on a contract by contract basis. During the Track Record Period, works that we delegated to our subcontractors include generally labour intensive or require specific skill sets, such as demolition, hoarding, concreting, painting, woodwork, steel and metal work, bar-bending and waterproofing.

Our subcontractors include both private companies and sole proprietors which have the skills and manpower available to carry out works subcontracted to them. We engage our subcontractors on a contract by contract basis and therefore we have not entered into any long term agreements with our subcontractors. To ensure high quality of work, we in general discourage our subcontractors to further subcontract the works. During the Track Record Period, our Directors confirm that our Group did not experience any material shortage or delay in the supply of materials or services that we required from our subcontractors. Our Directors consider that the possibility of material shortage or delay is low given the availability of subcontractors in the market. Our Directors confirm that our Group did not receive any material claim or complaints from our customers in relation to the works performed by our subcontractors.

During the three years ended 31 March 2016 and the six months ended 30 September 2016, our Group's subcontracting fees charged amounted to approximately HK\$100.4 million, HK\$153.2 million, HK\$175.3 million and HK\$62.3 million respectively, representing approximately 62.5%, 62.4%, 57.1% and 54.0% of our Group's total cost of sales. During the three years ended 31 March 2016 and the six months ended 30 September 2016, our Group's largest subcontractor accounted for approximately 6.1%, 6.1%, 7.2% and 7.2% of our Group's total subcontracting fees charged respectively, and our Group's five largest subcontractors accounted for approximately 20.8%, 21.2%, 26.6% and 28.9% of our Group's total subcontracting fees charged respectively. Please refer to the section headed "Financial Information" in this prospectus for further details in relation to the sensitivity analysis illustrating hypothetical changes of subcontracting fee to our profit during the Track Record Period. Our subcontractors granted credit terms ranging from 30–45 days to our Group and we generally settle our payment by way of cheque.

During the Track Record Period, our Group's five largest subcontractors are all Independent Third Parties. None of our Directors, their respective close associates or our Group's existing Shareholders who will be interested in more than 5% of our Group's issued share capital immediately following the completion of the Capitalisation Issue and the Share Offer has any interest in any of our Group's five largest subcontractors for the three years ended 31 March 2016 and the six months ended 30 September 2016.

BUSINESS

Set out is a breakdown of the details and amount of subcontracting fees charged to our Group's five largest subcontractors during the Track Record Period:

For the year ended 31 March 2014

Rank	Subcontractor	Background of the subcontractor	Subcontracting fees charged (HK\$'000)	Approximate percentage to our total subcontracting fees charged (%)	Services provided	Relationship since
1	Subcontractor A	A company engages in the provision of steel and metal works services	6,159	6.1	Metal works	2011
2	Subcontractor B	A sole proprietor business engages in the provision of construction works services	4,152	4.1	Demolition works	2007
3	Subcontractor C	A sole proprietor business engages in the provision of minor construction works services	3,847	3.8	General civil works	2007
4	Subcontractor D	A company engages in the provision of structural works services	3,834	3.8	Miscellaneous works	2008
5	Subcontractor E	A sole proprietor business engages in the provision of wood works services	2,995	3.0	Carpentry and joinery	2012
Five largest subcontractors combined			<u>20,987</u>	<u>20.8</u>		

BUSINESS

For the year ended 31 March 2015

Rank	Subcontractor	Background of the subcontractor	Subcontracting fees charged (HK\$'000)	Approximate percentage to our total subcontracting fees charged (%)	Services provided	Relationship since
1	Subcontractor F	A company engages in the supply and installation of metal works	9,318	6.1	Steel and metal works	2011
2	Subcontractor G	A company engages in the provision of electrical and mechanical engineering services	7,768	5.1	Electrical and mechanical works	2014
3	Subcontractor A	A company engages in the provision of steel and metal works services	5,349	3.5	Metal works	2011
4	Subcontractor H	A company engages in the provision of renovation works	5,111	3.3	Plasterboard and ceiling works	2011
5	Subcontractor B	A sole proprietor business engages in the provision of construction works services	4,860	3.2	Demolition works	2007
Five largest subcontractors combined			<u>32,406</u>	<u>21.2</u>		

BUSINESS

For the year ended 31 March 2016

Rank	Subcontractor	Background of the subcontractor	Subcontracting fees charged (HK\$'000)	Approximate percentage to our total subcontracting fees charged (%)	Services provided	Relationship since
1	Subcontractor G	A company which engages in the provision of electrical and mechanical engineering services	12,987	7.2	Electrical and mechanical works	2014
2	Subcontractor I	A company which engages in the provision of wrought iron services	12,125	6.7	Bar bending	2012
3	Subcontractor J	A sole proprietor business which engages in the supply and installation of metal works	8,259	4.6	Formwork carpentry	2015
4	Subcontractor F	A company which engages in the supply and installation of metal works	7,572	4.2	Steel and metal works	2011
5	Subcontractor E	A sole proprietor business which engages in the provision of wood works services	7,105	3.9	Carpentry and joinery	2012
Five largest subcontractors combined			<u>48,048</u>	<u>26.6</u>		

BUSINESS

For the six months ended 30 September 2016

Rank	Subcontractor	Background of the subcontractor	Subcontracting fees charged (HK\$'000)	Approximate percentage to our total subcontracting fees charged (%)	Services provided	Relationship since
1	Subcontractor I	A company which engages in the provision of wrought iron services	5,546	7.2	Bar bending	2012
2	Subcontractor G	A company which engages in the provision of electrical and mechanical engineering services	4,944	6.4	Electrical and mechanical works	2014
3	Subcontractor K	A company which engages in the provision of building engineering services	4,697	6.1	Building engineering works	2013
4	Subcontractor F	A company which engages in the supply and installation of metal works	3,653	4.8	Steel and metal works	2011
5	Subcontractor L	A company which engages in the provision of general civil works	3,387	4.4	General civil works	2014
Five largest subcontractors combined			<u>22,227</u>	<u>28.9</u>		

Our Directors confirm that during the Track Record Period, our Group did not have any material dispute or claim with any of our subcontractors.

Subcontracting process

To decide whether our Group has to engage subcontractors for certain parts of works during the preparation of tender submission, we have to review the specifications and requirements of the projects as well as our capabilities, resources, expertise and estimated cost of the project, the number of subcontractors our Group engages varies from project to project.

Upon identifying project which our Group is interested to tender for or to provide quotation, we will give details such as drawings and specifications of the project to the selected subcontractors in order to obtain quotation for the works that will be delegated to them. Upon the project being awarded to us, we will negotiate the terms of the engagement with the selected subcontractor. Our site agent will monitor and supervise the works of our subcontractors.

Key terms of the subcontracting agreement

Our Group generally enters into subcontracting agreements with our subcontractors on a project-by-project basis. Our contracts with our subcontractors generally require our subcontractors to observe the requirements and provisions of the relevant parts of the tender or main contract documents. Our Directors are of the view that such arrangements with our subcontractors are in line with the industry practice and can minimise our liability under the main contracts. The key terms of which are set out below:

(i) *Scope of work*

The scope of work our Group subcontract out can be classified into (i) labour only; and (ii) labour and materials. For agreements specifying labour only, the subcontractors are only required to provide the requisite labour and our Group will provide other materials needed to subcontractors to enable them to carry out the works delegated.

(ii) *Project duration*

The project period with the month of commencement and completion of the project is stated under the contract. Under normal and controllable situation, our subcontractors are required to complete the project within the given period on the contract. To make sure the project are completed within the contract period, our subcontractors are required to report regularly to our Group about the progress of the construction site and our Group has the rights to appoint people from our Group to undergo investigation and inspection with the construction progress.

(iii) *Subcontracting fee and settlement term*

Our subcontractors quote the subcontracting fee to our Group on a contract by contract basis. For the case where our subcontractors are required to equip themselves with the necessary materials and machinery, such costs are generally included in the contract sum. Our subcontractors submit interim payment applications on a monthly basis upon which our quantity surveyor will certify the works completed by our subcontractors and interim payment, after deducting any retention money to be retained by our Group, will be made.

(iv) *Rights and obligation of the subcontractor*

Our subcontractors are generally required to comply with relevant terms and conditions in our tender or main contract documents and perform their works in accordance with the relevant specifications in our tender or main contract documents.

(v) *Defect liability/maintenance period*

Our Group generally requires a defect liability period of 12 months, during which our subcontractors are responsible to rectify all works defects identified by us or our customers. If our customers identify work defects, they will require us to rectify the defects and we will seek rectification from our subcontractors accordingly.

(vi) *Retention monies*

Usually our Group retains 5% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money. Generally, the retention money would generally be released to our subcontractors upon completion of all works to our satisfaction and within 30 days after expiration of the defect liability period.

(vii) *Liquidated damages*

To provide for certain unforeseen circumstances which are beyond the control of the contractor (e.g. heavy rainfall, typhoon), a liquidated damages clause is included such that our Group is entitled to claim for damages for any delay by our subcontractors.

(viii) *Renewal/termination of the contract*

Our Group has the rights to terminate the subcontractor contract under the situation that our subcontractors (i) cannot complete the subcontractor contract within the given period stated on the contract; or (ii) commit a serious breach of the regulations stated on the subcontractor contract and still cannot make any improvement after verbal or written warnings from our Group; or (iii) further subcontract to other companies or individuals without the consent of our Group.

Control over subcontractors

Under the main contracts entered into between our Group and our customers, we are generally liable to our customers for the performance and quality of work done by our subcontractors. In a construction project, our Group sends personnel to the work site to supervise the works performed by our subcontractors, and also to review if our subcontractors' works conform to the specification. Our Group has implemented the following measures to monitor the quality and progress of works delegated to the subcontractors so as to ensure the compliance with contract specifications and relevant laws, rules and regulations:

- (i) All of our subcontractors are classified into different categories depending on their expertise to ensure that they are capable to undertake works of corresponding quality, environment and risk requirements; and
- (ii) Our Group conducts regular and ad hoc meetings with subcontractors' responsible personnel to review their performance.

BUSINESS

In addition, in order to ensure the safety of the employees of our subcontractors, we provide safety guidelines on workplace safety to our subcontractors. Our subcontractors will have to comply with our safety manual. Our site management staff will inspect the site conditions and closely monitor the safety performance of our subcontractors, if our subcontractors fail to meet our in-house safety guideline or the relevant statutory safety requirements, warning letters will be sent to the subcontractors and fines and penalties may apply depending on the severity of the violation. We also provide induction safety trainings to all new subcontractors to equip subcontractors with the requisite knowledge and skills in dealing with safety issues that they may encounter.

MATERIALS

Materials are sourced by our Group and/or our subcontractors depending on the nature and requirements of the project. Common materials include concrete, sand, steel, cement, lighting materials, timber, door accessories and metal works. Our Group determines the storage of sufficient quantity of materials at the site based on the work schedule, and all materials sourced will be stored at the work site for direct utilisation.

MACHINERY

For the three years ended 31 March 2016 and the six months ended 30 September 2016, we acquired new machinery in the amount of approximately HK\$150,000, HK\$273,000, HK\$671,000 and HK\$12,000. As at 30 September 2016, our Group has machinery of total net book value of approximately HK\$670,000. The major machinery of our Group includes the electric generators used in project and the average age of our major machine is approximately two years as at 30 September 2016.

Depending on the project, we may require our subcontractors to equip themselves with the machinery necessary for carrying out the works delegated to them and provide the necessary workers for operation of the machinery. Where the use of machinery is required in performing the works delegated and our subcontractors are responsible for providing such machinery, in general they are contractually required to ensure that all machinery used complies with the relevant statutory safety requirements and our subcontractors are covered in our employees' compensation and contractor's all risks insurance.

THE NRMM REGULATION

Under the NRMM Regulation, non-road mobile machinery, except those approved or exempted, are required to comply with the prescribed emission standards. From 1 September 2015, all regulated machines sold or lease for used in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department. Starting from 1 December 2015, only approved or exempted non-road mobile machinery with a proper label are allowed to be used in specified activities and locations including construction sites.

On 8 February 2015, the Development Bureau issued a Technical Circular (Works) No. 1/2015 in relation to the implementation plan to phase out the use of exempted non-road mobile machineries for four types of non-road mobile machineries, namely generators, air compressors,

BUSINESS

excavators and crawler cranes in public work including design and build contracts, with an estimated contract value exceeding HK\$200 million. Further details of the NRMM Regulation are set out in the paragraph headed “Laws and Regulations — B. Environmental Protection” in this prospectus.

Regarding our machines which are subject to the NRMM Regulation or both the NRMM Regulation and phase out implementation plan, our Directors confirm that relevant exemptions or approvals (as the case may be) were duly obtained.

Our Directors consider that there will be no material impact to our Group’s business operation and financial position given the relatively insignificant amount of machinery we have.

QUALITY ASSURANCE

The primary objective of our Group is to fulfil the needs of the customers by providing a quality services that meets both contractual and regulatory requirements, which we believe is also the reason of our success. To ensure that the quality of our works and that of our subcontractors conform to our customers’ specifications, our Group has established a Quality Management System (“QMS”) which is certified to be in compliance with the requirements of ISO 9001:2008, for implementation in our offices. Our Directors believe that our Group’s QMS shall help maintain the quality of our building services whilst allowing such quality to improve continuously.

The quality control measures under our QMS include:

- review the complaints, compliments and feedback from customers, suppliers and subcontractors;
- set and review the quality objectives for our workers and subcontractors;
- test and inspect the materials procured by our Group or subcontractors before use to ensure compliance with the contractual specifications and requirements and relevant statutory requirements; and
- ensure our workers and subcontractors follow the guidelines and recommendations provided by suppliers and/or manufacturers during the usage of all materials, machinery, plants and equipment.

On the operation level, a project team will be set up on a project basis upon award of contracts. The number of project team members depends on complexity of the projects, contract sum, requirements regarding qualifications and experience of the project team members specified in the relevant contract. The project team will be required to formulate an inspection and test plan under which team members are assigned different responsibilities with regards to their qualification and experience.

BUSINESS

There has not been any material complaint to our Group during the Track Record Period. However, if our customers identify any defect, we will inquire with the responsible party and inform the responsible party to rectify such defect as soon as possible.

The management is responsible for our Group's overall quality assurance, primarily responsible for overseeing and reviewing our Group's QMS and update our Group's quality manual annually. For details of their biographical information, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus.

Our Directors confirm there was no significant delay in the delivery of the projects and no major complaints from customers regarding quality of our works during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND ACCREDITATIONS

In recognition of the outstanding performance and quality of works, our Group has received the following award from the following organisation:

<u>Year of Grant</u>	<u>Description</u>	<u>Awarding organisation/institution</u>
2014	2014 Ronacrete award for "Excellence in Concrete Repair and Waterproofing"	Hong Kong Concrete Repair and Waterproofing Association

EMPLOYEES

As at the Latest Practicable Date, our Group had over 300 employees. All employees of our Group are stationed in Hong Kong.

Set out below is the breakdown of Directors and employees by function as at the Latest Practicable Date:

<u>Function</u>	<u>As at the Latest Practicable Date</u>
Directors and senior management	7
Contract and project management	13
Technical staff	62
Safety and health	7
Quantity surveyor	10
Foreman	40
Administration, accounting and finance	23
Site workers	183
Total	345

Training and recruitment policies

We believe that continuous education and training is important to maintain the service quality of our Group, so we intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. As part of the induction of new workers, they will receive training regarding construction site safety. Our Group also encourage relevant personnel to attend training courses to keep them up to date with the latest developments and best practices in the industry to enhance their work performance. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel is required to cope with our Group's business development.

Remuneration policy

Our Group offers attractive remuneration package to its employees, which includes basic salary, bonuses and other cash allowances or subsidies. Our Group determines the salary of its employees mainly based on their qualifications, relevant working experience, position and seniority. Our Group conducts annual review on the salary levels and promotions based on the working performance of each employees.

Relationship with staff

Our Directors consider that our Group has established relationship with its employees. Our Directors confirm that our Group has no material non-compliance in respect of the applicable labour laws and regulations in Hong Kong.

Our Directors confirm that our Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has our Group experienced any difficulties in retention of experienced staff or skilled personnel during the Track Record Period.

OCCUPATIONAL HEALTH AND SAFETY

Our Group is committed to provide a safe and healthy working environment for both our employees and employees of our subcontractors and we treat their safety as one of our highest priorities. Our Group has established a safety management system which is certified to be in compliance with OHSAS 18001 as required by the relevant occupational health and safety laws, rules and regulations (details of which are set out in the section headed "Laws and Regulations" in this prospectus) and managed by our safety department for the benefit of our employees and that of our subcontractors.

Set out below is a summary of the main aspects of our safety management system:

Safety manual

Our Group has a detailed safety manual which is reviewed at least once a year to incorporate the best industry practices and to address and improve specific areas of our system as part of the continuous improvement of our safety management system. The safety manual is distributed and applies to not only our employees but also to subcontractors.

Specific workplace safety rules and procedures and safety training

Our Group requires our employees and subcontractors' employees to understand and follow our workplace safety rules as set out in the safety manual. Our workplace safety rules identify common safety and health hazards and the best industry practices to prevent or minimise adverse impact.

Safety committee

Safety committee is established to oversee and implement the safety management system, ensuring the system in place is in compliance with the relevant health, safety and environmental standards and considering feedback from employees and subcontractors concerning our current workplace safety measures. The committee is also responsible to enforce safety policies, review and assess safety policies, accident rates and any non-compliance with applicable laws and regulations as well as providing recommendations. Our safety committee members have obtained various related professional qualifications, such as (i) diploma in occupation health and safety from Li Ka Shing Institute of Professional and Continuing Education, Open University of Hong Kong, (ii) professional diploma in occupation safety and health by School of Continuing Education, Hong Kong Baptist University, (iii) certificate of completion of construction safety supervisor course from Construction Industry Council, or (iv) registration as a safety officer with the Labour Department; and have 1 to over 5 years of experience in safety supervision.

External safety audit

In compliance with the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the laws of Hong Kong), our Group engages an external auditor to perform an external safety audit and perform an inspection of required project sites semi-annually. The safety audit will evaluate the effectiveness, efficiency and reliability of our safety management system, and identify the strengths and weaknesses of the existing system and provide recommendations for improvement. There has not been any material findings in our latest safety audit. Having considered that (i) the Group periodically engages external safety auditor; (ii) the external safety auditor reported no material findings in our latest safety audit; and (iii) our accident rate has been below the construction industry average rate, our Directors are of the view, and the Sole Sponsor concurs, that our Group's safety measures are adequate and effective.

Penalty and reward system

Fines may apply to subcontractors who fail to comply with our safety guidelines. A reward scheme has been implemented to reward employees to encourage compliance with safety guidelines.

Procedures for handling employee injuries and accidents at work

Injuries are not rare in the construction industry due to potentially hazardous environment of work sites and therefore we may be subject to claims from employees for work-related injuries from time to time.

BUSINESS

Our Group’s administrative department and the registered safety officers are responsible for recording details of the claims and handling claims for accidents and injuries in relation to our Group’s project. They are also responsible for liaising with the relevant insurance company, the claimant and in case of more serious claims as considered appropriate by our management of our Group, obtaining advice from external legal advisers. The registered safety officers, which are employees of our Group, have obtained various related professional qualifications, such as (i) diploma in occupational health and safety from Li Ka Shing Institute of Professional and Continuing Education of Open University of Hong Kong; or (ii) professional diploma in occupational safety and health from School of Continuing Education of Hong Kong Baptist University. They have also been registered as a safety officer with the Labour Department for over three years. To ensure proper recording and handling of such claims, we have the following arrangements in place:

Steps	Actions
1. Report of site accidents/incidents and dangerous occurrences/near miss situations	<ul style="list-style-type: none"> (i) The injured shall immediately report the injury to his supervisor or area foreman. (ii) The first aider will fill in the form “Injury/Incident Report” as a written record for each first aid treatment and inform the registered safety officer. (iii) After receiving notification of an injury or incident, the registered safety officer will carry out preliminary accident investigation. (iv) The reporting form submitted to the registered safety officer and safety department will have to be completed within 7 days of the date of injury. (v) Safety department shall complete the employees accident report and report to Labour Department with 14 days of the date of injury. (vi) In case of death following serious bodily injury, our Group should report within 24 hours to the police station nearest to the place of accident and report to Occupational Safety and Health Branch, Labour Department.
2. Accident investigation	<ul style="list-style-type: none"> (i) Registered safety officer should report all injury accidents, incidents or dangerous occurrences and carry out an initial investigation and complete an accident investigation report subsequent to any accident/incident. (ii) Registered safety officer, project manager and site agent shall follow up the recommendations in accident investigation report.

BUSINESS

Steps	Actions
	<p>(iii) Site safety committee and site safety management committee will also study accidents and prompt actions will be taken on the recommendations of the investigation so that incidents of similar nature may be prevented in the future.</p> <p>(iv) In case of any dangerous occurrences and injury accidents in which the injured needs to stay in hospital for over 24 hours, thorough investigation will be required immediately.</p>
3. Settlement or litigation	<p>(i) Our Group will report to the insurance company pursuant to the terms of relevant insurance policy.</p> <p>(ii) The insurance company should handle the matter if it falls within the coverage of relevant insurance policy. If the insurance company does not accept the liability, the matter may be litigated.</p>

During the Track Record Period and up to the Latest Practicable Date, our Group has not encountered any fatal construction accident on construction sites and have not suffered from any removal, suspension, downgrading or demotion of our licences. Our Directors are of the view that our safety management system is adequate.

Reportable accidents

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent. Although our Group has been implementing safety plan to mitigate such safety risks, the occurrence of accidents to workers at construction sites cannot be completely eliminated. For the three years ended 31 March 2016 and the six months ended 30 September 2016, we reported two, nine, seven and five “reportable accidents”, respectively. Four reportable accidents were reported during the period from 1 October 2016 up to the Latest Practicable Date. “Reportable accidents” means workplace accidents that are required to be reported to an occupational safety officer of the Labour Department. For any accident that results in an employee being incapacitated for at least three days, the accident should be reported in writing within fourteen days after the date of accident. For more serious accidents that involve death of an employee, the employer has to notify the Labour Department within seven days after the accident.

BUSINESS

A table showing the nature of injuries in relation to our reportable accidents for each of the three years ended 31 March 2016 and the six months ended 30 September 2016, and the period from 1 October 2016 up to the Latest Practicable Date is set out below:

<u>Date of the accident</u>	<u>Nature of the accident</u>	<u>Identity of the injured worker</u>	<u>Insurance coverage</u>	<u>Status as at the Latest Practicable Date</u>
15 August 2013	Injured while transporting wooden plank; right palm being pricked by wooden thorns on the wooden plank	Our Group's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
23 October 2013	Injured while covering himself with his arm when sleeve barrels were dropping onto the ground; right arm injury	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
31 May 2014	Injured by a hammer while hammering; left thumb injury	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
10 June 2014	Injured by falling while preparing to carry a washbin; left shoulder injury	Our Group's employee	100%	An employees' compensation claim was fully settled for approximately HK\$420,000
			Our Directors are of the view that our insurer would cover all our liabilities under the personal injury claim	A personal injury claim has been initiated. Please refer to case No. 1 of the paragraph headed "Litigation, Arbitration and Potential Claims" in this section of the prospectus for the details of the personal injury claim.
17 June 2014	Injured while transporting a sheet of glass; laceration to right forearm laceration	Our subcontractor's employee	100%	An employees' compensation claim was fully settled for approximately HK\$287,312
				A personal injury claim, which our Group was not a defendant and was therefore not liable for payment of compensation, was fully settled for approximately HK\$360,000
5 September 2014	Injured by being crushed by a pump; laceration and compression to right leg and right foot injury	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group

BUSINESS

<u>Date of the accident</u>	<u>Nature of the accident</u>	<u>Identity of the injured worker</u>	<u>Insurance coverage</u>	<u>Status as at the Latest Practicable Date</u>
15 September 2014	Injured by having left middle finger pinched by the handle of a heavy duty cutter while operating it; left middle finger injury	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
29 October 2014	Injured by being crushed by an iron fence while organising the same; right toe injury	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
12 November 2014	Injured by having middle finger cut while cleaning up garbage; left hand middle finger laceration	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
22 December 2014	Injured by having right hand little finger scraped against metal water pipe while locating water pipe components; right hand little finger injury	Our Group's employee	Our Directors are of the view that our insurer would cover all our liabilities	The incident was reported to insurer. Claim amount is to be assessed Please refer to case No. 2 of the paragraph headed "Litigation, Arbitration and Potential Claims" in this section of the prospectus for the details of the employees' compensation claim
21 March 2015	Injured by being crushed by a wooden door while transporting the same; left foot/leg injury	Our Group's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
9 April 2015	Injured while walking down the stairs; sprained right ankle	Our Group's employee	Our Directors are of the view that our insurer would cover all our liabilities	The incident was reported to insurer. The injured person had a medical assessment at the Labour Department. Legal proceeding has yet to commence.

BUSINESS

<u>Date of the accident</u>	<u>Nature of the accident</u>	<u>Identity of the injured worker</u>	<u>Insurance coverage</u>	<u>Status as at the Latest Practicable Date</u>
14 April 2015	Injured due to stumbling while walking towards the working location; left knee injury	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
15 May 2015	Injured by having left hand little finger pinched by wood pillars; left hand little finger bone fracture	Our Group's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
1 September 2015	Injured by being hit by falling hand tool: forehead injury	Our Group's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
9 October 2015	Injured while transporting construction materials, sprained back	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
6 November 2015	Injured by being crushed by a wooden board while cleaning wooden board; left finger injury	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group
19 March 2016	Injured by slipping while removing garbage; right wrist bone fracture	Our subcontractor's employee	Our Directors are of the view that our insurer would cover all our liabilities	The incident was reported to insurer and no court action has been taken against our Group
2 April 2016	Injured while using power-operated elevating work platforms; finger injury	Our subcontractor's employee	100%	The claim was dealt with by insurer and no court action had been taken against our Group

BUSINESS

<u>Date of the accident</u>	<u>Nature of the accident</u>	<u>Identity of the injured worker</u>	<u>Insurance coverage</u>	<u>Status as at the Latest Practicable Date</u>
7 April 2016	Injured by being crushed by iron bars while organising the same; finger injury	Our subcontractor's employee	100%	The incident was dealt with by insurer and no court action had been taken against our Group
15 April 2016	Injured by slipping due to stepping on shattered rocks; sprained right knee	Our subcontractor's employee	100%	The incident was dealt with by insurer and no court action had been taken against our Group
5 August 2016	Injured by slipping due to stepping on water; sprained right hand	Our Group's employee	Our Directors are of the view that the insurer would cover all our liabilities	The incident was reported to insurer and no court action has been taken against our Group
26 August 2016	Injured by being pinched while holding water pipes; right hand injury	Our Group's employee	Our Directors are of the view that the insurer would cover all our liabilities	The incident was reported to insurer and no court action has been taken against our Group
10 November 2016	Injured by shattered rocks entering into the right eye while operating demolition hammer; eye injury	Our Group's Employee	Our Directors are of the view that the insurer would cover all our liabilities	The incident was reported to insurer and no court action has been taken against our Group
11 November 2016	Injured left foot by being cut while operating a trolley for transporting iron metals; left foot laceration	Our subcontractor's employee	Our Directors are of the view that the insurer would cover all our liabilities	The incident was reported to insurer and no court action has been taken against our Group
1 December 2016	Injured by being scratched by a falling object; head and right arm injuries	Our subcontractor's employee	Our Directors are of the view that the insurer would cover all our liabilities	The incident was reported to insurer and no court action has been taken against our Group
13 January 2017	Injured right ankle when leaving the conference room; right ankle injury	Our Group's employee	Our Directors are of the view that the insurer would cover all our liabilities	The accident was reported to insurer and no court action has been taken against our Group.

BUSINESS

Most of the above accidents which happened during the Track Record Period and up to the Latest Practicable Date resulted in laceration, bruise, sprain or fracture injuries in connection with manual transportation of materials, operation of equipment or handling materials. Our Directors considered that the primary causes of such accidents were the workers' lack of safety awareness or inappropriate use of equipment.

The time limit for a plaintiff to commence legal proceedings for an employee's compensation claim is two years from the date of the relevant incident, while the time limit for a personal injury claim against us under common law is three years from the date on which the cause of action accrued or the date of the plaintiff's knowledge. We have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and our Directors confirm that we have not incurred any material liabilities as a result thereof, save as disclosed in this prospectus. Our Directors confirm that these accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business. As such, these accidents were not and are not expected to have a material impact on our Group's operations or financial performance. For further details of our insurance policies, please refer to the paragraph headed "Insurance" below in this section of the prospectus. Accordingly, our Directors consider that any potential claims which would arise in connection with reportable accidents, in respect of which the injured employees have not initiated any employees' compensation claim and/or personal injuries claim against our Group would be covered by our insurance policies and will be dealt with and handled by the insurers and their solicitors, and our Group would not need to incur any unforeseeable additional material expenses associated with such potential claims.

Accident rate and lost time injuries frequency rates (LTIFRs)

A table comparing the construction industry average rate against our Group in relation to accident rate per 1,000 workers and fatality rate per 1,000 workers is set out below:

	In construction industry <i>(Note 1)</i>	Our Group's construction sites <i>(Note 2)</i>
Calendar year 2013		
Accident rate per 1,000 workers	40.8	12.9
Fatality rate per 1,000 workers	0.277	0
Calendar year 2014		
Accident rate per 1,000 workers	41.9	33.2
Fatality rate per 1,000 workers	0.242	0
Calendar year 2015		
Accident rate per 1,000 workers	39.1	23.0
Fatality rate per 1,000 workers	0.200	0

BUSINESS

Notes:

1. The figures are extracted from the Occupational Safety and Health Statistics 2014 and 2015 issued by Occupational Safety and Health Branch, Labour Department.
2. Our Group's rates are calculated with reference to the number of injuries divided by the daily average site workers in our Group's construction sites during the calendar year and multiply the result by 1,000. The daily average site workers consisted of employees of our Group and our subcontractors.

A table showing our Group's lost time injuries frequency rate (LTIFRs) is set out below:

Calendar year 2013	0.43
Calendar year 2014	1.10
Calendar year 2015	0.77

Notes:

- (i) LTIFR is a frequency rate that shows the number of lost time injuries (LTIs) occurred over a specified time (e.g. per 100,000 hours) worked in a period. The LTIFR is calculated by dividing the number of lost time injuries of our Group happened in the year by the number of hours worked by the workers of our Group and our subcontractors over that year. "Number of hours worked by the workers" means the total number of hours (assuming 10 hours per work day) worked by our Group's workers on a "working day" during that year. The number of working days of workers for the calendar year 2013, 2014, 2015 were 298 days, 297 days and 297 days respectively, and the number of workers worked on each working day may vary. A "working day" is defined as a day on which there is at least one worker of our Group working, irrespective of whether it is public holiday. Therefore, the total number of working hours worked by the workers varies every year, depending on the works progress and requirements of our projects.
- (ii) Our LTIs were determined based on the relevant medical certificates received by our Group.

Based on the above available information, our Directors consider that the accident rate of our Group is lower than the industry average. During the Track Record Period, our Group recorded no fatal injuries at our construction sites. The LTIFRs during the Track Record Period is in line with the accident rate per 1,000 workers as disclosed above. Having considered that our accident rates per 1,000 workers are lower than the industry average of approximately 40.8, 41.9 and 39.1 in the calendar year 2013, 2014 and 2015 respectively, our Directors are of the view that our occupational health and safety management system is effective.

Saved as disclosed in the paragraph headed "Litigation, Arbitration and Potential Claims" in this section of the prospectus and as confirmed by our Directors, our Group has been in compliance in all material respects with all the relevant laws, rules and regulations relating to safety and health during the Track Record Period and up to the Latest Practicable Date. Our Group will continue to deploy adequate resources and make an effort to maintain and enhance our safety management policy in order to mitigate our risks relating to safety issues.

SEASONALITY

Our Directors believe that the industry for building construction services, alteration, addition, fitting-out works and building services and repair and restoration of historic buildings do not exhibit any significant seasonality.

INSURANCE

In general, when we act as main contractor, we will take out and maintain employees' compensation insurance and contractor's all risks insurance for the entire project. The contractor's all risks insurance policy generally covers the construction period.

During the Track Record Period, the total insurance cost for projects amounted to approximately HK\$3.3 million, HK\$5.8 million, HK\$3.6 million and HK\$0.8 million for the three years ended 31 March 2016 and the six months ended 30 September 2016 respectively. Our Directors consider that the existing insurance coverage is adequate and consistent with the industry norm having regard to our Group's current operations and the prevailing industry practice.

Employees' compensation insurance

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers 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.

According to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to any injured employees of the subcontractor who are injured in the course of employment to the subcontractor.

Contractors' all risk insurance

In respect of projects where our Group is engaged as a main contractor, we have to take out contractor's all risk insurance policies to cover our subcontractors' liabilities arising from potential damage to buildings or structures under their subcontracted works as well as potential bodily injury to third parties or damage to third parties' properties as a result of the subcontracted works our subcontractors performed.

Other insurance

In addition, we have also maintained office protection insurance which covers, among other matters, (i) loss of and damage to office contents in our office; (ii) the increased cost of work resulting from loss of and damage to office contents; (iii) loss of money; (iv) compensation for employees who are injured as a result of malicious attack by any person stealing or attempting to steal in our office; and (v) public liability. In accordance with the Motor Vehicles Insurance (Third Party Risks) Ordinance, we maintain our motor vehicle insurance for third party which covers the motor vehicle user's liability for death or bodily injury of third parties.

ENVIRONMENTAL MATTERS

Our Group’s operation at construction sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, water pollution control, waste disposal, environmental impact assessment and public health control. For details of the regulatory requirements, please refer to the section headed “Laws and Regulations” in this prospectus. During the Track Record Period, the aggregate annual cost of compliance with applicable environmental laws and regulations in Hong Kong was approximately HK\$808,000, HK\$648,000, HK\$662,000 and HK\$485,000 respectively, and primarily consisted of dumping charges for wasted materials.

It is the belief of our Directors that environmental protection is a management responsibility and our Group is committed to complying with the legal requirements and with other requirements relating to environmental aspects, prevention of pollution, reduction of construction waste and resources saving.

Our Group has recently obtained ISO14001:2004 in respect of our environmental management system. We require our employees and subcontractors to follow our environmental plan in order to ensure proper management of environmental protection and compliance with statutory requirements. Some of the measures include, among others:

<u>Area</u>	<u>Measures</u>
Air pollution control	<ul style="list-style-type: none"> (i) Any vehicle or item used on site will be monitored for spillages caused by leakage of fuel, lubrication or hydraulic system. (ii) Cleaning of concrete and work areas will be carried out using wet vacuum or wash down methods to minimise dust. (iii) Excessive exhaust emissions from mechanical equipment will result in prohibition of use.
Water pollution control	<ul style="list-style-type: none"> (i) Waste water from any office, site canteen or toilet facilities are directed to foul sewer or to a sewage treatment facilities either directly or indirectly by means of pumping. (ii) Chemical wastes are stored in secured containers, undercover to prevent ingress of rainwater and where liquids are involved, storage areas shall be bund with sufficient capacity to contain projected spill quantities. (iii) During periods of wet and muddy conditions, trucks and heavy vehicles shall not leave site unless effective wheel washing has been carried out.

BUSINESS

<u>Area</u>	<u>Measures</u>
Waste disposal	<ul style="list-style-type: none">(i) The common user disposal containers will be for the deposit of controlled waste (i.e. non-hazardous industrial or special waste) and will be situated in both the construction and site establishment areas.(ii) Notice will be posted which clearly state which materials can or cannot be disposed of through the common user disposal skips.(iii) Waste skips and other receptacles will be checked during the routine safety & environmental inspections/audits.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had no material non-compliance or violations on any laws and regulations in relation to environmental protection.

MARKET AND COMPETITION

Building construction services

According to the F&S Report, the building construction services industry has experienced an increase from approximately HK\$50.7 billion in 2010 to approximately HK\$102.0 billion in 2015 at a CAGR of approximately 15.0%, primarily due to the rising demand for residential units and continued investment in public infrastructure projects by the Government.

Given the export-oriented economic nature, international image and duty-free advantage, Hong Kong's retail industry has been playing a significant role in the macro economy. Despite the economic slowdown in 2014 and 2015, the global economy is expected to show a recovering trend based on a series of initiatives. National economic development in mainland China is expected to improve the Hong Kong market as well. Consequently, the recovery of gross retail sales volume will initiate more demand for commercial buildings. It is also expected that the building construction services industry will continue to grow to approximately HK\$148.5 billion in 2020 at a CAGR of approximately 7.8% with the stable economic growth and the continued investment in public infrastructure projects by the Government.

Alteration, addition and fitting-out building services

According to the F&S Report, the alteration, addition and fitting-out building services industry has increased from approximately HK\$9.7 billion in 2010 to approximately HK\$16.9 billion in 2015 at a CAGR of approximately 11.7%, primarily due to the increasing living standard and higher requirements of the public on building safety and quality of works, which increased the demand for the industry.

BUSINESS

The residential buildings usually require renovation service once every ten to 20 years. The renovation service frequency of commercial buildings is generally shorter, around once every five to ten years, as the public facilities of commercial buildings tend to be worn out easily. Moreover, with the deepened cooperation between Hong Kong and mainland China, the anticipated large visitor inflow to Hong Kong will increase the burden on Hong Kong's infrastructures and buildings, generating more demand for alteration, addition and fitting-out building service. It is also expected that the alternation, addition and fitting-out building services industry will continue to grow to approximately HK\$24.3 billion at a CAGR of approximately 7.5%.

Repair and restoration of historic building

According to the F&S Report, the repair and restoration of historic buildings industry increased from approximately HK\$0.2 billion in 2010 to approximately HK\$0.3 billion in 2015 at a CAGR of approximately 8.4%, primarily due to Government policies in protecting, conserving and revitalising historical and heritage sites and buildings through various schemes, as well as providing economic incentives for conservation of privately-owned historic buildings.

The 2016 Policy Address (2016年施政報告) announced the setting up of the Built Heritage Conservation Fund with HK\$500 million earmarked to implement the conservation of built heritage under the guidance of the Antiquities Advisory Board. Repair and restoration of historic buildings will therefore receive more funding from the Government, which would accelerate the development of this segment dramatically. The repair and restoration of historic building industry is expected to further grow to approximately HK\$0.4 billion at a CAGR of approximately 5.9%.

Competitive analysis

According to the F&S Report, the five largest key players in the construction market in Hong Kong contributed around 20% of the total market revenue of approximately HK\$119.2 billion in 2015. In addition, construction companies with business coverage in (i) building construction services; (ii) alteration, addition and fitting-out building services; and (iii) repair and restoration of historic buildings are fragmented with the five largest key players contributed approximately 8.7% of the total market revenue. Please refer to the paragraph headed "Industry Overview — Competitive Landscape of Construction Market" in this prospectus for further details.

Furthermore, according to the F&S Report, the relationship with general contractors and subcontractors, and the reputation with long-term project experience are both important in the construction engineering industry in Hong Kong. Please refer to the paragraph headed "Industry Overview — Competitive Landscape of Construction Market — Entry barriers" in this prospectus for further details.

INTELLECTUAL PROPERTY

Domain name

As at the Latest Practicable Date, our Group had registered one domain name, which is considered by our Directors as material to the business of our Group, being <http://milestone.hk> in Hong Kong. Details of such domain name are set out in the paragraph headed “C. Intellectual Property Rights of our Group” in Appendix IV to this prospectus.

Trademarks

As at the Latest Practicable Date, our Group has registered five trademarks in Hong Kong. Details of such trademarks are set out in the paragraph headed “C. Intellectual Property Rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. We were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties.

PROPERTY

Our Group owns three properties in Hong Kong and their details are set out below:

<u>Location</u>	<u>Gross floor area</u> (in approximate sq. ft.)	<u>Usage</u>
Unit 12, 9/F (Including the roof hereof), Sun Fung Centre, No.88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong	3,282	Storage
Unit 4, 3/F, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong	2,078	Storage
Carpark V10, G/F, Sun Fung Centre, No.88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong	N/A	Carpark

As at the Latest Practicable Date, no single property owned by us had a carrying value exceeding 15% of our total assets, and no single property that was owned by us and formed our property activities had a carrying value exceeding 1% of our total assets. No property valuation report in respect of our property interests is required in reliance upon the exemption provided by section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap 32L of the Laws of Hong Kong).

BUSINESS

As at the Latest Practicable Date, we had 14 leased properties located in Hong Kong and their details are set out below:

Location	Gross floor area (in approximate sq. ft.)	Lessor	Term	Rental/licence fee	Usage
Flat F, 39/F, Block 1, Park Towers, 1 King's Road, Hong Kong	1,210	Mexico City Ltd	Two years ending 31 July 2018	Monthly rental of HK\$41,500	Director's (Mr. Leung) quarter
Unit 08, 22/F, Block 49, Heng Fa Chuen, 100 Shing Tai Road, Hong Kong	989	Cho Chun Fan	Two years ending 6 June 2018	Monthly rental of HK\$29,800	Director's (Mr. Lam) quarter
Unit 16 on 9/F, Sun Fung Centre No. 88, Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong	1,561	Woo Siu Man	Two years ending 30 November 2017	Monthly rental of HK\$19,000	Storage of machinery and equipment
Workshop F on 15/F of Block II Kingswin Industrial Building, 32-50 Lei Muk Road, Kwai Chung, Hong Kong	N/A	Jerta Company Ltd.	Two years ending 4 November 2017	Monthly rental of HK\$6,000	Storage of machinery and equipment
14/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong	7,793	LCK Real Estate Ltd.	Three years and four months ending 30 November 2019	Monthly rental of HK\$220,00	Office
Five parking spaces, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong	N/A	LCK Real Estate Ltd.	Monthly renewal	Monthly aggregate rental of HK\$17,400	Carpark
Two parking spaces, Sham Mong Road Carpark, Lai Chi Kok, Kowloon, Hong Kong	N/A	Skye Parking Limited	Monthly renewal	Monthly aggregate rental of HK\$4,600	Carpark
Two parking spaces, Mei Foo, Kowloon, Hong Kong	N/A	Chow Chung Fai	Monthly renewal	Monthly aggregate rental of HK\$5,000	Carpark

We used our own properties situated at unit 4 on the third floor and unit 12 on the ninth floor, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong as offices. The permitted uses of the above properties as specified in the occupation permit, condition of sale and deed of mutual covenant are for non-domestic use and for industrial or godown purposes. Accordingly, the use of the above properties did not comply with the permitted uses. Our Company has signed a license agreement and tenancy agreement for the property located at 14/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong (the “**New Office Property**”) both on 18 July 2016. Our offices were relocated to the New Office Property in October 2016. The leases for the warehouse on the third floor, the office on the seventh floor and carparks in Sun Fung Centre which had been leased to us were terminated. We entered into an agreement to lease a portion of our

BUSINESS

property on the third floor in Sun Fung Centre to Spartan Construction Materials Limited, a connected person of our Company. Our Directors consider that the costs for relocation was insignificant. There was not any disruption to business due to the relocation of our office.

LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, save as those set out in this paragraph below, our Directors confirm that our Group had not been and is not involved in any material claims, arbitration or litigation nor pending or threatened claims, arbitration or litigation of material importance against our Group.

Set out below are the details of outstanding claims and litigation against our Group as at the Latest Practicable Date:

No.	Claimant/plaintiff	Nature	Amount claimed	Status
1.	Plaintiff: an employee of Speedy Engineering	The plaintiff claimed for damages for employees' compensation and personal injuries for injuries sustained by him while working at the construction site. The accident happened in June 2014.	HK\$420,000 for the employees' compensation	The employees' compensation claim was settled in February 2016. The settlement was covered by the insurance policy taken out by our Group. The personal injury claim has been initiated.
2.	Plaintiff: an employee of Speedy Engineering	The plaintiff claimed for damages for employees' compensation (right hand little finger injury) sustained by him while working at the construction site. The accident happened in December 2014.	To be assessed	An application under Employees' Compensation Ordinance was made in August 2016. The case is taken over by the insurer.

Our Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry. We have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees. As such, our Directors are of the view that our Group's insurance will cover the above employees' compensation and personal injury claims and did not and are not expected to have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" in this section of the prospectus.

BUSINESS

No provision was made in the financial statements of our Group in respect of the aforementioned ongoing claims having taken into account (i) the expected coverage by the relevant insurance as mentioned above; and (ii) the indemnity given by our Controlling shareholders as mentioned in the paragraph headed “F. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus for details of the Deed of Indemnity.

Regarding the potential litigations in relation to employees’ compensation claims and common law personal injury claims, no provision was made in the financial statements of our Group having considered (i) the uncertainties as to whether such claims will be commenced; (ii) the uncertainties in the total amount that will be involved for such claims, if any; and (iii) the indemnity given by our Controlling Shareholders as above mentioned.

Set out below are the details of the claims and litigations against our Group which were settled during the Track Record Period and up to the Latest Practicable Date:

<u>No.</u>	<u>Claimant/plaintiff</u>	<u>Nature</u>	<u>Total amount settled</u>	<u>Settlement</u>
3.	Plaintiff: a subcontractor of our Group	The plaintiff claimed for the last installments of two invoices regarding the installments of curtain and canopy. The plaintiff initiated claim against our Group in May 2016.	HK\$22,090.00	In February 2017, the plaintiff reached a settlement with our Group and subsequently discontinued the claim against our Group.
4.	Plaintiff: an employee of Milestone Builder’s subcontractor	The plaintiff claimed for damages for employees’ compensation and personal injuries for injuries sustained by him while working at a construction site. The accident happened in June 2014.	HK\$287,312 for employee’s compensation	The claim for employee’s compensation was settled in July 2015. The settlement was covered by the insurance policy taken out by our Group. Our Group was not a defendant of the personal injuries claim and was therefore not liable for the payment of compensation thereof

BUSINESS

No.	Claimant/plaintiff	Nature	Total amount settled	Settlement
5.	Plaintiff: an employee of another occupier of a construction site within the meaning of the Occupiers Liability Ordinance, (Chapter 314 of laws of Hong Kong)	The plaintiff claimed for damages for employees' compensation and personal injuries for injuries sustained by him while working at the construction site. The accident happened in December 2012	HK\$477,123.76 for the employees' compensation claim	The employees' compensation claim was settled. The plaintiff discontinued the personal injuries claim against our Group in January 2016.
6.	Plaintiff: an employee of Milestone Builder's subcontractor	The plaintiff claimed for damages for employees' compensation and personal injuries for injuries sustained by him while working at a construction site. The accident happened in November 2011.	HK\$94,770 for the employees' compensation claim HK\$85,000 for the personal injuries claim	The employees' compensation and the personal injuries claim were paid by our Group. The insurance company did not indemnify our Group because the claim was made and reported late for over 1 year from the date of accident.
7.	Plaintiff: a victim of a motor accident	The plaintiff claimed for damages of its vehicle due to the motor accident. The accident happened in November 2012.	HK\$22,000	The amount claimed was equally split between Milestone Builder (the owner of a vehicle involved in the motor accident) and the driver (the driver of Milestone Builder's vehicle) paying HK\$11,000 each.

Details of litigation involving non-compliance by our Group with regulatory requirements under the Laws of Hong Kong during the Track Record Period and up to the Latest Practicable Date are set out in the paragraph below headed "Non-compliance" in this section of the prospectus.

BUSINESS

NON-COMPLIANCE

Our Directors confirm that save for the non-compliance incidents as disclosed below, we had complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Non-compliance with Construction Sites (Safety) Regulations (Chapter 59I) and Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J)

On 1 June 2015, an officer of Labour Department inspected the project site for which we undertook the works and on 25 November 2015, the Labour Department took legal actions against our Group for non-compliances, the details of which are set out in the following table:

<u>Non-compliance</u>	<u>Date of incident</u>	<u>Penalty and status</u>
Failing to take adequate steps to prevent person from falling at a construction site at the Hong Kong International Airport contrary to regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Chapter 59I)	1 June 2015	Convicted on 12 May 2016 and a fine of HK\$13,000 was imposed.
Failing to ensure that no material with sharp objects were used in the construction work or left on the place where the construction work was being carried out when the sharp objects were a source of danger to worker employed on a construction site at the Hong Kong International Airport contrary to regulations 51(2), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations (Chapter 59I)	1 June 2015	Convicted on 12 May 2016 and a fine of HK\$3,000 was imposed.
Failing to connect upper ends of sling legs by shackle/ring/link of adequate strength at a construction site at the Hong Kong International Airport contrary to regulations 18A(a) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J)	1 June 2015	Convicted on 12 May 2016 and a fine of HK\$2,800 was imposed.

BUSINESS

<u>Non-compliance</u>	<u>Date of incident</u>	<u>Penalty and status</u>
Failing to mark lifting appliance with safe work load at a construction site at the Hong Kong International Airport contrary to regulations 11(1) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J)	1 June 2015	Convicted on 12 May 2016 and a fine of HK\$4,500 was imposed.
Failing to test and examine slings before use at a construction site at the Hong Kong International Airport contrary to regulations 18(1)(d) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J)	1 June 2015	Convicted on 12 May 2016 and a fine of HK\$3,000 was imposed.
Failure to test and examine shackles before use at a construction site at the Hong Kong International Airport contrary to regulations 18(1)(d) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J)	1 June 2015	Convicted on 12 May 2016 and a fine of HK\$3,000 was imposed.

Our Directors confirmed the convictions against us arose because the workers did not follow the safety guidelines of our Group. Our Group believes that the non-compliances did not involve intentional misconduct, fraud or dishonesty on the part of our Group and Directors. Our Directors confirm that there is no pending litigation involving non-compliance by our Group as on the Latest Practicable Date. Accordingly, our Directors consider that the legal consequences of the convictions resulting from the above non-compliance events, each of which involved imposition of a fine not more than HK\$13,000, did not have material adverse impact on our Group and thus such non-compliance incidents do not have any material impact on our Group.

Non-compliance with Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

- *Particulars of and reasons for non-compliance and remedial actions*

Under section 15(1A) of the Employee's Compensation Ordinance (Chapter 282) ("ECO"), any accident that results in an employee being incapacitated from working for at least three days should be reported in prescribed form (Form 2) to the Commission for Labour within fourteen days after the date of accident.

Our Group failed to file Form 2 regarding the injuries of five employees of our Group or of our subcontractors during the Track Record Period.

BUSINESS

<u>Date of accident</u>	<u>Reason for late filing</u>	<u>Remedial action</u>
31 May 2014	Additional time was required to understand the causes and extent of injuries of the employee.	Form 2 was filed on 15 August 2014
10 June 2014	Due to inadvertent oversight of our administrative staff.	Form 2 was filed on 15 August 2014
15 September 2014	The injury was not serious immediately after the accident but worsened after a period of time.	Form 2 was filed on 14 November 2014
29 October 2014	Due to inadvertent oversight of our administrative staff.	Form 2 was filed on 15 November 2014
22 December 2014	The injury was not serious but worsened after a period of time.	Form 2 was filed on 7 February 2015

- ***Potential maximum penalty/fine***

Under section 15(6) of the ECO, if there is no reasonable excuse, failure to give such notice will result in criminal liability on the part of the employer and the employer is liable to a maximum fine of HK\$50,000.

As advised by the Hong Kong Legal Counsel, the offence may be triable summarily and the time limit of prosecution for any non-compliances with sections 15(1A) of the ECO shall be 6 months. The above delays in filing Form 2 are time barred from prosecution as the period of 6 months have expired in relation to the said incidents of late reporting.

During the Track Record Period and up to the Latest Practicable Date, there has not been any prosecution initiated against our Group or our officers, nor has any of them been subject to any fine or penalty relating to the above non-compliance with section 15(1A) of the ECO. Consequently, no provision has been made in our financial statements in respect of the potential liabilities of the non-compliance incidents.

Non-compliance with Inland Revenue Ordinance (Chapter 112)

- ***Particulars of non-compliance***

Our operating subsidiaries in Hong Kong failed to submit the notice (Form IR56E) regarding commencement of employment of employees, which is required to be filed within three months after the commencement of employment of such employee under section 52(4) of the Inland

Revenue Ordinance (“IRO”), and the notice (Form IR56F) regarding cessation of employment of employees which is required to be filed within one month before the expected date of departure of such employee under section 52(5) of the Inland Revenue Ordinance.

- ***Reason for the non-compliance***

Our human resources and administrative staff responsible for employee records were not familiar with, and were not aware of the relevant law and regulations, and misunderstood that the filing of Form IR56Bs had sufficiently complied with all reporting requirements in respect of the employees’ remuneration and pension under the IRO.

- ***Remedial actions***

The relevant notices for all employees of our Group who commenced or ceased employment on or after 1 June 2016 were duly filed within the prescribed time limit.

- ***Potential maximum penalty/fine***

Under section 80(1) of the IRO, any person without reasonable excuse fails to comply with section 52(4) and section 52(5) of the IRO with respect to the filing of the Form IR56E and Form IR56F, shall be guilty of an offence and the maximum penalty for each offence is HK\$10,000. Under section 80(3) of the IRO, the time limit of prosecution of non-compliance under section 52(4) and section 52(5) is either in the year of assessment in respect of or during which the offence was committed or within 6 years after the expiration thereof.

As advised the Hong Kong Legal Counsel, the maximum penalty for the non-compliance of our Group is HK\$2,760,000 and estimated penalty is HK\$690,000. The Hong Kong Legal Counsel further advised that as there appears to be no taxative repercussions arising from the non-compliances and there certainly is no evidence to show that the non-compliances constitute a scheme to avoid or diminish our Group’s tax liability, the non-compliances will most likely be dealt with by compounding in lieu of prosecution in the event that the IRD decides to take action. Moreover, as our operating subsidiaries in Hong Kong have filed its return of remuneration and pensions since their respective dates of incorporation (Form IR56Bs) in respect of all of its employees, the Inland Revenue Department would have received full knowledge of each employees’ tax obligations from the return thus rendering the failures to file Form IR56E and Form IR56F technical. Accordingly, the Hong Kong Legal Counsel advised that the Inland Revenue Department is unlikely to take enforcement action against our Group for their failures to file Forms IR56E and Forms IR56F; and hence, the chance of prosecution is remote.

During the Track Record Period and up to the Latest Practicable Date, there has not been any prosecution initiated against our Group or our officers, nor has any of them been subject to any fine or penalty relating to the above non-compliance with sections 52(4) and 52(5) of the IRO, and the Hong Kong Legal Counsel has opined that the chance of being prosecuted is low. Consequently, no provision has been made in our financial statements in respect of the potential liabilities of the non-compliance incidents.

BUSINESS

Our Controlling Shareholders entered into the Deed of Indemnity in favour of our Group whereby the Controlling Shareholders agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities which may arise as a result of any outstanding or potential litigation, arbitration, legal proceedings and/or claims against any member of our Group, in relation to any act, non-performance, omission or any non-compliance of our Group which occurred or should have occurred on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “F. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus. Our Directors consider that the non-compliance events disclosed above did not have any material adverse impact on the operation or financial position or business of our Group.

Internal control measures to prevent recurrence of non-compliance incidents

To prevent the occurrence of any non-compliance in the future, our Group, as our internal control consultant recommended, has adopted and implemented the following internal control measures to ensure compliance with the applicable rules and regulations:

- i. The site agents closely monitor the safety environment of construction sites, including ensuring:
 - everyone who enters to the site wears suitable safety helmets;
 - suitable and adequate safety facilities are installed in the site, such as live conductor;
 - working platforms, guard-rails, barriers and etc, when necessary.
- ii. The site agents report the accidents to the Labour Department pursuant to the Employees’ Compensation Ordinance and maintain a register of the accident and circulate the register to the general manager timely, if any.
- iii. The project managers perform additionally irregular site visits to ensure all safety measures are placed in the construction site.
- iv. The executive Directors are responsible for monitoring the updates of relevant rules and regulations and discussing with the site agents accordingly. External lawyers will be consulted for legal advice if necessary and the audit committee will be reported and informed of significant issues.
- v. Trainings and seminars are provided to the site agents and the project managers regularly, at least annually, in relation to the compliance with relevant rules and regulations.

BUSINESS

- vi. We have designated our human resources and administration department to be responsible for the preparation and submission of Form IR56E and Form IR56F to the Commissioner of Inland Revenue within the prescribed time limit in accordance with the requirements of the IRO to avoid any non-compliance in the future.

To ensure the aforesaid safety measures have been implemented, our internal control consultant conducted a follow-up review on the above internal control measures and did not note any exceptions. Having considered that, our Directors are of the view, and the Sponsor concurs, that the enhanced control measures are adequate and effective in preventing the occurrence of non-compliances in the future.

Taking into account that (i) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors; (ii) our Group has used its best effort to rectify all the non-compliance incidents so far as applicable and practicable; and (iii) our enhanced control measures as described above had been effectively implemented, our Directors are of the view, and the Sole Sponsor concurs, that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of Listing of our Company under Rule 8.04 of the Listing Rules.

INTERNAL CONTROL

Our internal control system covers our major business aspects such as revenue and receipt, project cost management, human resources and payroll, fixed assets, treasury and cash management, financial statements preparation and information technology. Our audit committee is responsible to identify risks and internal control deficiencies, evaluate our internal control system from time to time and implement additional control measures, if necessary, to improve our internal control system. Further details of our risk management are set out in the paragraph headed “Business — Risk Management” in this prospectus. Results of our internal assessments, internal surveys and routine inspections would be reported to the audit committee in our Board, which is responsible to review our financial information and supervise our financial reporting system and internal controls procedures.

It is the responsibility of our Board to ensure that our Group maintains sound and effective internal controls to safeguard our Shareholders’ investment and our assets at all time. In preparation of the Listing, we have engaged the independent internal control consultant to perform a detailed evaluation of the adequacy and effectiveness of our Group’s internal control over certain business processes of the Company. Our Group will consider to engage an internal control consultant to perform internal controls review in connection with its internal control policies upon Listing.

RISK MANAGEMENT

Our Directors confirm that during the ordinary course of our business, we are primarily exposed to (i) control risks relating to our overall monitoring system; (ii) regulatory risks in relation to our business; (iii) operational risk; (iv) credit risks relating to trade receivable; and (v) market risks relating to changes in macroeconomic environment.

The following sets out the key risks for our business and the mitigating internal control procedures thereof:

Risk control

Our Directors identified certain risks including inappropriate and inconsistent practices, failure to detect unethical behaviours, wrong doings or potential frauds and unauthorised access to confidential information. In order to control such risk, our Group has endorsed staff handbook and Company policies which require all Directors and employees of our Group to observe.

Regulatory risk management

Upon Listing, our Group may be exposed to the risks of non-compliance with the Listing Rules. We have assigned designated personnel to update the context of Company policies at least annually and to distribute to all Directors and employees new amendments of the Listing Rules. We have appointed Ample Capital Limited as Compliance Adviser to advise us on compliance issues. Our Group will also retain a legal advisor to advise us on compliance matters with applicable Hong Kong laws and regulations.

Operational risk management

Our project management staff is responsible for maintaining the operation, assessing the operational risks and implementing our internal policies and procedures of our projects. Our project management staff visits the project sites from time to time and our project management staff will report irregularities in connection with the operation of the projects to the executive Directors and senior management for directions. Our Group emphasises ethical value and prevention of fraud and bribery.

We have established a whistleblower program, which will allow and facilitate communication among departments and business units to report any irregularities.

Credit risk management

Our Group is exposed to credit risk which may cause financial loss to our Group if our counterparties failed to discharge an obligation. In order to minimise the credit risk, the payment terms of all contracts must be approved by our executive Directors. Before deciding whether to submit a quotation, our Group will consider factors such as creditworthiness of the relevant customers and the contract terms.

BUSINESS

In addition, our executive Directors also take into account the length of business relationship, past reputation, financial strength and repayment history of each of our customers for monitor the payments. Settlement is monitored by our executive Directors and our finance and accounting department. For overdue balances, our finance and accounting department will be alerted and appropriate follow up action will be taken. When the trade receivable balances remain unsettled after the agreed credit terms, they will be classified as overdue. For the three years ended 31 March 2016 and the six months ended 30 September 2016, our Group did not make any provision for doubtful debts relating to accounts receivables.

Market risk management

Our Group is exposed to general market risks related to changes in macroeconomic environment and movements in market variables such as GDP, interest rates, and other market changes. Our executive Directors are responsible for identifying and assessing potential market risks and from time to time formulating policies to mitigate these market risks.

CORPORATE GOVERNANCE MEASURES

We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the Listing Rules, in particular, the code provisions contained in the corporate governance code as set out in Appendix 14 (the “Code”) of the Listing Rules, we will adopt the following measures prior to Listing:

- (i) we have established the audit committee, remuneration committee and nomination committee with respective written terms of reference in accordance with the code provisions contained in the Code. The paragraph headed “Directors and Senior Management — Board Committees” in this prospectus set out further information;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders’ communication policy in accordance with the code provisions of the Code;
- (iii) we have appointed three independent non-executive Directors and at least one of them has accounting expertise;
- (iv) the Chairman of our Board, Mr. Leung, acts as the leader of our Board. Mr. Leung is responsible for the overall direction and strategic planning of our Group, introduction of Board meetings and making sure that all Directors receive sufficient, complete and reliable information in a timely manner;
- (v) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except as permitted by the Articles;

BUSINESS

- (vi) pursuant to the Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (vii) our Company will adopt a comprehensive company policies covering legal and regulatory compliance with reference to the Code;
- (viii) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (ix) our Company Secretary will review and ensure the Board's policy and procedures, and all applicable rules and regulations, are complied with by each and every Director.

Our Group is expected to comply with the Code which sets out the principles of good corporate governance in relation to, among others, our Directors, our Chairman and daily operation management, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Board will review our Company policies and practices on corporate governance from time to time. Our Group will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account of any allotment and issue of Shares pursuant to the Adjustment Options or exercise of options to be granted under the Share Option Scheme), Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui will control, in aggregate, 75% of the issued share capital of the Company.

The Controlling Shareholders have been parties acting in concert (having the meaning ascribed to it under the Takeovers Code) during the Track Record Period. Please refer to the paragraph headed “History and Development — History — Control, management and collective decision making of the Operating Companies” and “History and Development — Concert Party Deed” in this prospectus for further details. For the purpose of the Listing Rules, Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui are Controlling Shareholders.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any allotment and issue of Shares pursuant to the Adjustment Options or exercise of options to be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Share Offer.

(i) Financial independence

During the Track Record Period, certain of our banking facilities were secured by guarantees given by Mr. Leung and Mr. Lam, and charge over properties of Mr. Lam’s mother and brother situated in Hong Kong. Our Directors confirmed that these guarantees and charge over properties will be released or replaced upon Listing.

As at 31 March 2016 and 31 January 2017, we had certain amounts due to and due from Mr. Leung, Mr. Lam, Mr. Aaron Leung, Mr. Lui and certain related companies. Such balances will also be fully settled before the Listing.

Notwithstanding the above, our Group has independent financial and accounting systems, independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to its own business needs. In view of our Group’s internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

(ii) Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Having considered that:

- (a) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities;
- (b) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their associates;
- (c) our Controlling Shareholders have no interest in any of our five largest customers, suppliers, subcontractors or other business partners; and
- (d) the continuing connected transaction between our Group and Spartan Construction Materials Limited, being an associate of Mr. Leung and Mr. Lam, for purchase of construction materials is on normal commercial terms and constitutes de minimis continuing connected transaction of our Company,

our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

(iii) Management independence

Mr. Leung and Mr. Lam are our executive Directors and Mr. Aaron Leung and Mr. Lui are members of our senior management team. However, a majority of our Board, being our independent non-executive Directors, will bring independent judgment to the decision-making process of our Board, and the other members of our senior management team will bring independent judgment to the management of our day-to-day operation.

(iv) Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions, including internal control, financial and accounting management, invoicing and billing, human resources and information technology.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESS

Spartan Construction Materials Limited was incorporated in Hong Kong on 28 February 2012 and is engaged in trading of construction materials. It is owned by Prime League (of which each of Mr. Leung and Mr. Lam is interested in 50% of the issued share capital) as to 90% and by Mr. Lui as to 10%, respectively. During the Track Record Period, it had also sold construction materials to our Group. Please refer to the section headed “Continuing Connected Transactions” in this prospectus for further details of the business transactions between Spartan Construction Materials

Limited and our Group during the Track Record Period and after the Listing. Mr. Leung and Mr. Lam confirmed that Spartan Construction Materials Limited will not engage in any business which competes or is likely to compete, directly or indirectly with our Group business.

Spartan Lighting Limited was incorporated in Hong Kong on 3 March 2014 and is engaged in trading of lighting products and batteries. It is owned by Spartan Construction Materials Limited, Mr. Hui Shun (being an Independent Third Party), Mr. Aaron Leung, Mr. Leung and Mr. Lam as to 50%, 25%, 11.24%, 6.88% and 6.88%, respectively. During the Track Record Period and up to the Latest Practicable Date, our Group had purchased materials and consumables and received reimbursement of administrative expenses from Spartan Lighting Limited. Our Group will cease to have transactions with Spartan Lighting Limited after the Listing. Mr. Leung and Mr. Lam confirm that Spartan Lighting Limited will not engage in any business which competes or is likely to compete, directly or indirectly with our Group business.

G Energy Enterprise Limited was incorporated in Hong Kong on 27 January 2014 and is engaged in trading of batteries. It is wholly-owned by Spartan Lighting Limited. During the Track Record Period and up to the Latest Practicable Date, G Energy Enterprise Limited did not have any business transaction with our Group. Mr. Leung and Mr. Lam confirm that G Energy Enterprise Limited will not engage in any business which competes or is likely to compete, directly or indirectly with our Group business.

Our Controlling Shareholders consider not to include Spartan Construction Materials Limited, Spartan Lighting Limited and G Energy Enterprise Limited as part of our Group after taking into consideration the followings:

- i. the three companies are principally engaged in trading business, the nature of which is different from our Group's principal business of provision of services of building works; and
- ii. the three companies did not and are not expected to compete, directly or indirectly, with the business of our Group.

None of our Controlling Shareholders and our Directors has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules. In addition, each of our Controlling Shareholders has given a non-competition undertaking in favour of our Company. For details, please refer to the paragraph below headed "Deed of Non-competition" in this section of the prospectus.

DEED OF NON-COMPETITION

Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui (each a "**Covenantor**", and collectively, the "**Covenantors**") entered into a deed of non-competition dated 16 March 2017 (the "**Deed of Non-competition**") in favour of our Company (for ourself and as trustee of our subsidiaries) with an aim to avoid any possible future competition between our Group and each of the Covenantors.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

Pursuant to the Deed of Non-competition, each of the Covenantors has jointly and severally, and irrevocably and unconditionally undertaken and covenanted with our Company (for ourself and for the benefit of our subsidiaries) that each of them shall, and shall procure each of their respective associates (other than members of our Group):

- (a) not directly or indirectly, be interested, involved or engaged, or acquire or hold any right or interest (in each case, whether as an investor, a director or shareholder, partner, agent, or otherwise, and whether for profit, reward, or otherwise), in any business which competes, or is likely to compete with the business engaged by our Group from time to time (the “**Restricted Business**”);
- (b) not solicit any employee of our Group for employment;
- (c) not solicit or procure any of the suppliers and/or the customers of our Group from time to time to terminate their business relationships or otherwise reduce the amount of business with our Group;
- (d) not, without the consent of our Company, make use of any information pertaining to the business of our Group which may have come to his knowledge in his capacity as the Director or Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Business;
- (e) not invest or participate in any Restricted Business; and
- (f) procure each of his associates (excluding members of our Group), whether on his own account or in conjunction with or on behalf of any person, firm or company, not to invest or participate, whether directly or indirectly, in any project or business opportunity of the Restricted Business.

The undertakings given by the Covenantors as set out above do not apply to the holding of shares, or other securities, in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange and:

- (a) the total number of the shares directly or indirectly held by the Covenantors, and/or their respective associates in aggregate does not amount to more than 5% of the issued shares of the relevant company, or control the exercise of more than 5% of the voting rights thereof, or control the composition of a majority of the board of directors of such company; and
- (b) the Covenantors, and/or their respective associates, are not entitled to appoint a majority of the directors or management of that company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

Each of the Covenantors has jointly and severally, irrevocably and unconditionally further undertaken and covenanted with our Company (for ourself and for the benefit of our subsidiaries) that if he or his associates (other than any member of our Group) is given or offered or becomes aware of any project, or new business opportunity, that may directly or indirectly compete, or may lead to competition, with the Restricted Business (the “**New Opportunity**”):

- (a) he shall, and he shall procure his associates (other than any member of our Group) to, refer or to procure the referral of the New Opportunity to our Company, and shall notify our Company in writing of the New Opportunity and, in any event, within 7 business days after becoming aware of the New Opportunity, and shall promptly provide such information as is reasonably required by our Company or the independent non-executive Directors in order to enable our Company and/or the independent non-executive Directors to come to an informed assessment of the New Opportunity;
- (b) he shall, and he shall procure his associates (other than any member of our Group) to, grant a right of first refusal to our Group to take up the New Opportunity, and our Group shall, within a period of 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out or required under the Listing Rules from time to time), notify the Covenantors in writing if our Group shall exercise such right of first refusal, and our Company shall only exercise such right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in the New Opportunity);
- (c) he shall, and he shall procure his associates (other than any member of our Group) to, abstain from participating in, and voting at, and shall not be counted as quorum at, all meetings of the Board where there is a conflict of interest, or potential conflict of interest, including, but not limited to, the relevant meeting of our independent non-executive Directors, for considering whether or not to exercise the right of first refusal;
- (d) he shall, and he shall procure his associates (other than any member of our Group) to, use his best endeavours to ensure that the New Opportunity is offered to our Company on terms no less favourable than the terms on which the New Opportunity is offered to him and/or his associates (other than any member of our Group); and
- (e) he or his associates (other than any member of our Group) shall be entitled to pursue the New Opportunity only if he, or his associates (other than any member of our Group) has received a notice from our Company declining the New Opportunity; and
- (f) if there is a material change in the terms and conditions of the New Opportunity, he shall, and he shall procure that his associates (other than any member of our Group) to, refer the New Opportunity as so revised to our Company in the manner as set out above.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

Each of the Covenantors has jointly and severally, irrevocably and unconditionally undertaken and covenanted with our Company (for ourself and for the benefit of our subsidiaries) that:

- (a) he shall promptly provide our Company and our Directors with information available to him and his associates as our Company may from time to time reasonably request to ascertain compliance by the Covenantors of their obligations under the Deed of Non-competition; and
- (b) if requested by our Company, he shall issue a letter to our Company, confirming his and his associates' full compliance with the relevant terms of the Deed of Non-competition, and consenting our Company's disclosure of the contents of such letter in the annual reports of our Company, and/or such other documents as otherwise published by our Company.

Each of the Covenantors further undertook and covenanted with our Company that he shall not, and shall procure his associates (other than any member of our Group) to not, for any purpose, use or make use of any intellectual property rights of or relating to any member of our Group, or use or do anything which is intended or is likely to be confused with any of the intellectual property rights of or relating to any member of our Group.

Save as disclosed in this prospectus, each of the Covenantors represented and warranted to our Company that neither he nor any of his associates was currently, directly or indirectly, interested or involved or engaged in or having or holding any right or interest (in each case, whether as an investor, a director or shareholder, partner, agent, or otherwise, and whether for profit, reward, or otherwise) in any Restricted Business, otherwise than through our Group.

Each of the Covenantors has undertaken to our Company to, during the term of the Deed of Non-competition, indemnify and keep indemnified our Company and any members of our Group against any loss or liability suffered by our Company or any members of our Group (as relevant) arising out of or in connection with any breach of any of his obligations or undertakings hereunder, including any costs and expenses (including legal expenses) incurred as a result of such breach, provided that the indemnity shall be without prejudice to any of the other rights and remedies of our Company or any members of our Group in relation to any such breach.

Our Company shall adopt the following procedures to ensure that the provisions of the Deed of Non-competition are observed at all times:

- (a) our independent non-executive Directors shall review, on an annual basis, the compliance with the terms of the Deed of Non-competition and the enforcement of the undertakings given by each of the Covenantors contained in the Deed of Non-competition; and
- (b) each of the Covenantors, jointly and severally, unconditionally and irrevocably undertakes, to and for the benefit of our Company (for ourself and as trustee for the benefit of each of our subsidiaries from time to time) that, during the effective period of the Deed of Non-competition, each of them:

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

- (i) will provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the undertakings contained therein by each of them;
- (ii) will make an annual confirmation on compliance with such undertakings in the annual reports of our Company and each of the Covenantors acknowledges that our independent non-executive Directors will review, at least on an annual basis, the compliance with such undertakings given by each of the Covenantors, including all decisions taken in the year on whether to pursue a New Opportunity in accordance with the Deed of Non-competition and our Company will make disclosures in our annual reports or by way of announcements regarding the decisions and the rationale of those decisions (as appropriate) of the Board on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition and each of them hereby gives its general consent to such disclosure;
- (iii) in the event of any disagreement between the parties to the Deed of Non-competition as to whether or not any activity or proposed activity of the Covenantors constitutes a Restricted Business, the matter shall be determined by our independent non-executive Directors whose majority decision shall be final and binding;
- (iv) shall, according to the Articles of Association or the Listing Rules, declare his interests and where required, excuse themselves from, and abstain from voting and not be counted as quorum of, any meetings of Shareholders and/or the Board for consideration and approval of any matters referred to in the Deed of Non-competition which have or may give rise to conflicts of interest, actual or potential.

The terms and conditions of the Deed of Non-competition are conditional on, and take effect upon (a) the Listing Committee granting listing of, and permission to deal in, all the Shares in issue and to be issued pursuant to or as disclosed in this prospectus; and (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their terms or otherwise.

The Deed of Non-competition shall terminate on the earliest date on which: (i) our Company becomes wholly-owned by the Covenantors and/or their respective associates (whether individually or collectively); (ii) the securities of our Company cease to be listed on the Stock Exchange, or any other stock exchange recognised under the SFO and (iii) the relevant Covenantors and/or his close associates cease to hold, taken together, 30% or more of the issued share capital of the Company or otherwise the relevant Covenantor ceases to be a Controlling Shareholder.

CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, members of our Group entered into certain related party transactions, the details of which are set out in Note 30 of the Accountant's Report in Appendix I to this prospectus.

We will continue to carry out certain transactions with certain connected persons (as defined under Chapter 14A of the Listing Rules) upon Listing. Such transactions will therefore constitute continuing connected transaction of our Group under Chapter 14A of the Listing Rules.

CONNECTED PERSON

The following person will be our connected person upon Listing:

- Spartan Construction Materials Limited, a limited company incorporated in Hong Kong and owned by Prime League (of which each of Mr. Leung and Mr. Lam, our executive Directors and Controlling Shareholders, is interested in 50% of the issued share capital) as to 90% and by Mr. Lui as to 10%, hence an associate of Mr. Leung and Mr. Lam

Accordingly, the following transactions with Spartan Construction Materials Limited which will continue after the Listing will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below details of the continuing connected transactions which are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

1. Master Purchase Agreement

During the Track Record Period, certain members of our Group, including Milestone Builder, Milestone Speciality and Prime Builder, purchased construction materials such as waterproofing membrane, cementitious waterproofing chemicals, water repellent coating materials and insulation and waterproofing coating materials from Spartan Construction Materials Limited. The aggregate amounts paid by our Group for those transactions for each of the three years ended 31 March 2016 and for the six months ended 30 September 2016 amounted to approximately HK\$1,389,000, HK\$850,000, HK\$2,819,000 and HK\$704,000, respectively. Our Directors (including independent non-executive Directors) are of the view that those transactions were entered in the ordinary and usual course of business of our Group and the terms in those transactions were normal commercial terms and were fair and reasonable.

CONTINUING CONNECTED TRANSACTIONS

On 16 March 2017, the Company entered into a master purchase agreement (the “**Master Purchase Agreement**”) with Spartan Construction Materials Limited. Details of the key terms of the Master Purchase Agreement are as follows:

Seller:	Spartan Construction Materials Limited
Purchaser:	the Company and its subsidiaries
Term:	Commencing from the Listing Date to 31 March 2020

During the term of the Master Purchase Agreement, Spartan Construction Materials Limited shall supply and our Group shall purchase construction materials at the prices listed in the construction materials price lists (the “**Price Lists**”) issued and updated from time to time by Spartan Construction Materials Limited to its customers in Hong Kong.

The proposed annual caps contemplated under the Master Purchase Agreement will be less than HK\$3,000,000 for each of the three years ending 31 March 2020, respectively. The above proposed annual caps were determined based on the amount of purchase of construction materials by our Group from Spartan Construction Materials Limited during the Track Record Period. Our Directors (including independent non-executive Directors) are of the view that entering into the Master Purchase Agreement is in our ordinary and usual course of business and in the interests of the Shareholders as a whole and the terms therein are normal commercial terms and are fair and reasonable.

Since each of the relevant percentage ratios under the Listing Rules in respect of the total annual consideration of the transactions under the Master Purchase Agreement is expected to be less than 5% and the total annual consideration is expected to be less than HK\$3 million, the transaction constitutes de minimis transaction under Rule 14A.76(1) which will be fully exempt from the shareholders’ approval, annual review and all disclosure requirements.

2. Lease between Milestone Builder and Spartan Construction Materials Limited

During the Track Record Period, we leased a portion of our own property located at unit 4 and sub-leased a portion of our leased property located at unit 3 on the third floor, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories to Spartan Construction Materials Limited. The aggregate amounts of rent paid by Spartan Construction Materials Limited to our Group for each of the three years ended 31 March 2016 and for the six months ended 30 September 2016 amounted to approximately HK\$131,000, HK\$156,000, HK\$165,000 and HK\$154,000, respectively.

On 16 March 2017, Milestone Builder, our wholly-owned subsidiary, as lessor and Spartan Construction Materials Limited as lessee entered into a lease agreement for the leasing of a portion (with a floor area of 375 sq.ft.) of the property owned by Milestone Builder located at unit 4 on the third floor, Sun Fung Centre for a term of three years commencing from the Listing Date to 6 April 2020 at a monthly rent of HK\$4,750 exclusive of rates, building management fee, and government rents (the “**Lease Agreement**”).

CONTINUING CONNECTED TRANSACTIONS

The monthly rental paid or payable by Spartan Construction Materials Limited were determined after arm length's negotiations between parties with reference to the then prevailing market conditions, the rental rate of similar properties in the vicinity and the floor area we lease. An independent property valuer has reviewed the Lease Agreement and confirmed that the rent payable under such lease agreement is fair and reasonable and is consistent with prevailing market rates for similar premises in similar locations.

The Lease Agreement will continue after Listing. It is proposed that the annual cap for the rental payable under the Lease Agreement will be HK\$57,000, HK\$57,000 and HK\$57,000 for each of the three years ending 31 March 2020. The annual caps were arrived at with reference to the actual rental payable under the Lease Agreement.

Since each of the relevant percentage ratios under the Listing Rules in respect of the annual rental of the transactions under the Lease Agreement is expected to be less than 5% and the total annual consideration is expected to be less than HK\$3 million, the transaction constitutes de minimis transaction under Rule 14A.76(1) which will be fully exempt from the shareholders' approval, annual review and all disclosure requirements.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and options that may be granted under the Share Option Scheme), the following persons/entities (other than Directors) will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held immediately prior to the Share Offer and the Capitalisation Issue</u>	<u>Percentage of shareholding immediately prior to the Share Offer and the Capitalisation Issue</u>	<u>Number of Shares held after the Share Offer and the Capitalisation Issue</u>	<u>Percentage of shareholding after the Share Offer and the Capitalisation Issue</u>
Mr. Leung	Beneficial owner and person acting in concert (<i>Note</i>)	10,000 Shares	100%	600,000,000 Shares	75.00%
Mr. Lam	Beneficial owner and person acting in concert (<i>Note</i>)	10,000 Shares	100%	600,000,000 Shares	75.00%
Mr. Aaron Leung	Beneficial owner and person acting in concert (<i>Note</i>)	10,000 Shares	100%	600,000,000 Shares	75.00%
Mr. Lui	Beneficial owner and person acting in concert (<i>Note</i>)	10,000 Shares	100%	600,000,000 Shares	75.00%

Note: Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui were personally interested in 4,761 Shares, 4,761 Shares, 388 Shares and 90 Shares representing 47.61%, 47.61%, 3.88% and 0.9% of the total issued share capital of our Company immediately before the completion of the Share Offer and the Capitalisation Issue.

Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui are personally interested in 285,660,000 Shares, 285,660,000 Shares, 23,280,000 Shares and 5,400,000 Shares representing 35.71%, 35.71%, 2.91% and 0.68% of the total issued share capital of our Company immediately after the completion of the Share Offer and the Capitalisation Issue (assuming the Adjustment Options are not exercised and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme). Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui are parties acting in concert (having the meaning ascribed to it under the Takeovers Code) pursuant to the Concert Party Deed. As such, each of Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui is deemed to be interested in 600,000,000 Shares held by them in aggregate under the SFO immediately after the completion of the Share Offer and the Capitalisation Issue (assuming the Adjustment Options are not exercised and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme).

SUBSTANTIAL SHAREHOLDERS

For further information on our Directors' interests which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, please refer to the section headed "D. Disclosure of Interests — 1. Interests and short positions of our Directors and chief executive in the Shares, underlying Shares and debentures of our Company and its associated corporations" in Appendix IV to this prospectus.

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

Number of Shares comprised in the authorised share capital:

	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>200,000,000</u>

Shares issued and to be issued, fully paid or credited as fully paid, upon completion of the Share Offer and the Capitalisation Issue

	<i>HK\$</i>
10,000 Shares in issue as at the date of this prospectus	1,000
599,990,000 Shares to be issued pursuant to the Capitalisation Issue	59,999,000
<u>200,000,000</u> Shares to be issued pursuant to the Share Offer (<i>Note</i>)	<u>20,000,000</u>
<u>800,000,000</u> Shares in total	<u>80,000,000</u>

Note: The share capital of our Company will be enlarged by up to an additional 30,000,000 Shares in the event that the Offer Size Adjustment Option or Over-allotment Option is exercised in full.

ASSUMPTIONS

The above tables assume that the Share Offer becomes unconditional and does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options or pursuant to exercise of any options to be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and Repurchase Mandate as described below.

RANKING

The Offer Shares, including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option or Over-allotment Option, will rank *pari passu* in all respects with all other Shares in issue as at the date of this prospectus, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the paragraph headed “E. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions stated in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (such share capital being exclusive of any Shares which may be issued pursuant to the exercise of the Adjustment Options); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under this mandate, allot, issue and deal with the Shares pursuant to (a) a rights issue; (b) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by our Company or any securities which are exchangeable into Shares; (c) the exercise of the subscription rights under options granted under the Share Option Scheme or any other similar arrangement of our Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisors of our Company and/or any of its subsidiaries and/or other persons of Shares or rights to acquire Shares; or (d) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of our Company.

The Issue Mandate will expire:

- at the conclusion of our Company’s next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further details of the Issue Mandate, please see the paragraph headed “A. Further Information About the Company — 4. Written resolutions of our Shareholders” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions stated in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the total nominal value of the share capital of

SHARE CAPITAL

our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (such share capital being exclusive of any Shares which may be issued pursuant to the exercise of the Adjustment Options).

The Repurchase Mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further Information About the Company — 6. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

The Repurchase Mandate will expire:

- at the conclusion of our Company’s next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further information about the Repurchase Mandate, refer to the paragraph headed “A. Further Information About the Company — 4. Written resolutions of our Shareholders” in Appendix IV to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS AND SENIOR MANAGEMENT

The Board is responsible and has general powers for the management and conduct of our Group's business. The following table sets forth information regarding the current Directors and senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities</u>
Executive Directors					
Mr. Leung Kam Fai (梁錦輝)	49	Chairman and executive Director	8 June 2016	5 November 2001	Responsible for financial and operational aspects of our Group and the formulation of business development strategies of our Group
Mr. Lam Ka Ho (林嘉豪)	51	Executive Director	8 June 2016	5 November 2001	Responsible for the financial and operational aspects of our Group, monitoring of all projects and the formulation of business development strategies of our Group
Independent Non-executive Directors					
Mr. Keung Kwok Hung (姜國雄)	44	Independent non-executive Director Chairman of the audit committee and remuneration committee and a member of nomination committee	13 March 2017	13 March 2017	Participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group
Ms. Lau Suk Han Loretta (劉淑嫻)	48	Independent non-executive Director Member of the audit committee	13 March 2017	13 March 2017	Participating in making significant decisions and giving advice on corporate governance, connected transactions

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and responsibilities
Mr. Poon Man Hong (潘民康)	42	Independent non-executive Director Chairman of the nomination committee and a member of audit committee and remuneration committee	13 March 2017	13 March 2017	Participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group
Senior Management					
Mr. Leung Chin Hung Aaron (梁展鴻)	49	Contracts Manager	1 April 2016	12 November 2010	Responsible for the implementation of works and the overall management of contracts of our Group
Mr. Lui Sum Wah (呂森華)	64	Contracts Manager	1 April 2016	3 February 2012	Responsible for the implementation of works and the overall management of contracts of our Group
Mr. Ng Si Yin, Ben (伍仕賢)	60	Contracts Manager	1 April 2016	2 July 2011	Responsible for the implementation of works and the overall management of contracts of our Group
Mr. Wong King Yin (王景賢)	39	Contracts Manager	1 April 2016	2 December 2008	Responsible for the implementation of works and the overall management of contracts of our Group
Mr. Wong Chi On (黃智安)	31	Financial Controller/ Company Secretary	4 January 2016	4 January 2016	Responsible for the oversight of our Group's finance and accounts function and internal controls

None of our Directors and members of our senior management is personally related to any of the other Directors, senior management or substantial shareholders of our Company.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

The Board currently comprises 5 Directors, including 2 executive Directors and 3 independent non-executive Directors.

Executive Directors

Mr. Leung Kam Fai (梁錦輝), aged 49, is our executive Director. He was appointed as a Director on 8 June 2016, and re-designated as an executive Director and appointed as the Chairman of the Board on 26 September 2016. Mr. Leung is responsible for the financial and operational aspects of our Group and the formulation of business development strategies of our Group. He is one of the co-founders of Milestone Builder. He is also a director of Milestone Builder BVI, Prime Builder BVI, Synda, Milestone Builder, Prime Builder and Speedy Engineering.

Mr. Leung has over 14 years of experience in the construction and civil engineering industry. In November 2001, Mr. Leung founded Milestone Builder with Mr. Lam and has become a director of Milestone Builder from its incorporation date onwards.

Mr. Leung obtained a Master of Science in Construction Financial Management degree from the Heriot-Watt University in the United Kingdom in November 2009 through distance learning. He was granted as a Professional Member of the Royal Institution of Chartered Surveyors in August 2010, elected as a Member of the Hong Kong Institute of Surveyors in September 2012 and became a Registered Professional Surveyor in the Building Surveying Division in January 2014.

He was awarded the Gold Award in the Construction Manager of the Year Awards 2012 from the Chartered Institute of Building (Hong Kong) in Heritage Conservation Category in 2012.

In the three years preceding the Latest Practicable Date, Mr. Leung has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Leung was a director of the following companies prior to their dissolution (otherwise than by a members' voluntary winding-up when the company was solvent):

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reasons for dissolution</u>
Chembuild Construction Company Limited (Note 1)	Hong Kong	Subcontractor of building construction works	23 December 2003	Dissolved by creditors' voluntary winding-up	The directors resolved that the company was unable to continue its business due to its liabilities and should commence winding up under section 228A of the Predecessor Companies Ordinance.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reasons for dissolution</u>
Tarzan Engineering Limited (Note 2)	Hong Kong	Subcontractor of building construction works	8 April 2004	Dissolved by creditors' voluntary winding-up	The directors resolved that the company was unable to continue its business due to its liabilities and should commence winding up under section 228A of the Predecessor Companies Ordinance.
Kai Chun Engineering Limited (Note 3)	Hong Kong	No business activity prior to dissolution	4 May 2006	Dissolved by striking-off	The company was not carrying on business and was struck off by the Companies Registrar under section 291 of the Predecessor Companies Ordinance.
Max Engineering Limited	Hong Kong	No business activity prior to dissolution	6 January 2006	Dissolved by striking-off	The company was not carrying on business and was struck off by the Companies Registrar under section 291 of the Predecessor Companies Ordinance.

Notes:

1. Before its dissolution on 23 December 2003, Chembuild Construction Company Limited (“**Chembuild**”) was owned by Kai Chun Engineering Limited as to 40%, Blooming Regent Co. Ltd. as to 40% and Fast Link Ltd. as to 20%, and Mr. Leung, Mr. Lam and Fast Link Ltd. were the directors of Chembuild. Fast Link Ltd. and Blooming Regent Co. Ltd. are Independent Third Parties.
2. Before its dissolution on 8 April 2004, Tarzan Engineering Limited (“**Tarzan Engineering**”) was owned by High-Wealth Trading Limited and Status Asian Limited in equal shares, and High-Wealth Trading Limited, Status Asian Limited and Mr. Leung were the directors of Tarzan Engineering. High-Wealth Trading Limited and Status Asian Limited are Independent Third Parties.
3. Before its dissolution on 4 May 2006, Kai Chun Engineering Limited was owned by Mr. Leung and his wife in equal shares, and Mr. Leung and his wife were its directors.

Mr. Lam Ka Ho (林嘉豪), aged 51, is our executive Director. He was appointed as a Director on 8 June 2016, and re-designated as an executive Director on 26 September 2016. Mr. Lam is responsible for the financial and operational aspects of our Group and for monitoring of all projects and the formulation of business development strategies of our Group. He is one of the co-founders of Milestone Builder. He is also a director of Milestone Builder BVI, Prime Builder BVI, Synda, Milestone Builder and Prime Builder.

Mr. Lam has over 14 years of experience in the construction and civil engineering industry. In November 2001, Mr. Lam founded Milestone Builder with Mr. Leung and has become a director of Milestone Builder from its incorporation date onwards.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

In the three years preceding the Latest Practicable Date, Mr. Lam has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Lam was a director of the following company prior to its dissolution (otherwise than by a members' voluntary winding-up when the company was solvent):

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution or striking-off</u>	<u>Means of dissolution</u>	<u>Reasons for dissolution</u>
Chembuild Construction Company Limited (Note)	Hong Kong	Subcontractor of building construction works	23 December 2003	Dissolved by creditors' voluntary winding-up	The directors resolved that the company was unable to continue its business due to its liabilities and should commence winding up under section 228A of the Predecessor Companies Ordinance.

Note: Before its dissolution on 23 December 2003, Chembuild Construction Company Limited (“**Chembuild**”) was owned by Kai Chun Engineering Limited as to 40%, Blooming Regent Co. Ltd. as to 40% and Fast Link Ltd. as to 20%, and Mr. Leung, Mr. Lam and Fast Link Ltd. were the directors of Chembuild. Fast Link Ltd. and Blooming Regent Co. Ltd. are Independent Third Party.

Independent non-executive Directors

Mr. KEUNG Kwok Hung (姜國雄) (“**Mr. Keung**”), aged 44, was appointed as our independent non-executive Director on 13 March 2017. Mr. Keung serves as chairman of our audit committee and remuneration committee and a member of our nomination committee. He is responsible for participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

He has over 20 years of experience in accounting and financial management. Before joining our Group, he worked as an associate with PricewaterhouseCoopers Ltd in August 1994 and left PricewaterhouseCoopers as a manager in July 2000. From January 2002 to April 2004, he worked as a financial controller with Shun Kam Company Limited. After leaving Shun Kam Company Limited, he joined China Force Oil & Grains Industrial Holdings Co., Ltd (a company listed on the Main Board and currently known as China Precious Metal Resources Holdings Co., Ltd, stock code: 1194) as a finance controller, company secretary and qualified accountant from April 2004 to November 2006. From November 2006 to February 2009, he worked as a director with Russell Bedford Hong Kong Limited. He further pursued his career by joining EMCOM International Limited (a company listed on the GEM Board and currently known as Bingo Group Holdings Limited, stock code: 8220) as an executive director from July 2009 to July 2010. From September 2010 to present, he first worked as a chief financial officer and a member of the investment committee of Ming Fai International Holdings Limited (a company listed on the Main Board, stock code: 3828) and then later was further appointed as the company secretary in May 2013, an

DIRECTORS, SENIOR MANAGEMENT AND STAFF

executive director and a member of the executive committee of Ming Fai International Holdings Limited in September 2014. He has been the company secretary and an executive director of Ming Fai International Holdings Limited since May 2013 and September 2014, respectively.

Mr. Keung became a fellow of the Hong Kong Institute of Certified Public Accountants (“HKICPA”) in July 2006 and a fellow of the Association of Chartered Certified Accountants (“ACCA”) in December 2002.

Mr. Keung obtained a bachelor of arts degree in Accountancy from the Hong Kong Polytechnic University in November 1994.

Saved as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Keung has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Lau Suk Han Loretta (劉淑嫻) (“Ms. Lau”), aged 48, was appointed as our independent non-executive Director with effect from 13 March 2017. Ms. Lau serves as a member of our audit committee. She is responsible for participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

Ms. Lau has over 20 years of legal experience in corporate finance. Prior to joining our Group, she worked as a partner in various law firms in Hong Kong from 2001 to 2014. She joined Platinum Securities Company Ltd as a consultant in June 2015.

Ms. Lau was admitted as solicitor in Hong Kong in November 1993 and as solicitor in England and Wales in March 1999.

Ms. Lau obtained a Bachelor of Laws degree from the University of Hong Kong in December 1990. She also obtained a Postgraduate Certificate in Laws from the University of Hong Kong in June 1991.

In the three years preceding the Latest Practicable Date, Ms. Lau has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Poon Man Hong (潘民康) (“Mr. Poon”), aged 42, was appointed as our independent non-executive Director with effect from 13 March 2017. Mr. Poon serves as chairman of our nomination committee and a member of our audit committee and remuneration committee. He is responsible for participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

Mr. Poon has 20 years of experience in the construction industry. Prior to joining our Group, he joined Ove Arup & Partners Hong Kong Ltd in September 1996, and left Ove Arup & Partners Hong Kong Ltd as an engineer in November 2003. From June 2005 to March 2007, he worked with

DIRECTORS, SENIOR MANAGEMENT AND STAFF

the Buildings Department of Hong Kong as a structural engineer (contract). After leaving the Buildings Department of Hong Kong, Mr. Poon joined Kingland Concrete Drilling Co., Ltd. as a project engineer from August 2007 to August 2008. He further pursued his career by joining The Board of Management of the Chinese Permanent Cemeteries from September 2008 to June 2015 as a deputy project manager. He has been serving as a managing director of Rerizon Ltd. since July 2015.

Mr. Poon has been holding various professional qualifications. He was admitted as a member of the Institution of Civil Engineers in March 2003; a member of the Chartered Institute of Arbitrators in January 2003; an associate of the Hong Kong Institute of Arbitrators in February 2003; and a BEAM Professional of the Hong Kong Green Building Council Limited in December 2013.

Mr. Poon obtained a Bachelor of Engineering degree from the University of Hong Kong in November 1996. He has also completed a Postgraduate Diploma in Construction Law and Arbitration at the University of Hong Kong in November 2002 and a Postgraduate Diploma in Project Management from the University of Greenwich, the United Kingdom in June 2014.

In the three years preceding the Latest Practicable Date, Mr. Poon has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

SENIOR MANAGEMENT

Mr. Leung Chin Hung Aaron (梁展鴻), aged 49, is the founder of Speedy Engineering and has been a director of Speedy Engineering since its incorporation. Mr. Aaron Leung has also become a contracts manager of our Group since April 2016. He is responsible for the implementation of works and the overall management of contracts of our Group.

Mr. Aaron Leung has over 20 years of experience in the building services work. Prior to incorporating Speedy Engineering, he worked as a site supervisor with Laiwhole Ltd. from January 1991, a project co-ordinator with Golden Horse Property (Holdings) Co. Ltd. from April 1994 to January 1995, a technical assistant with Gammon Construction Limited from February 1995 to January 1997, an assistant engineer with Ever Victory Engineering Limited from September 1999 to May 2002 and an electrical engineer with Wah Cheong Engineering (H.K.) Limited from January 2005.

Mr. Aaron Leung obtained a Certificate in Building Studies from the Vocational Training Council in August 1998 and a Certificate in Building Services Engineering from the Vocational Training Council in July 2004.

In the three years preceding the Latest Practicable Date, Mr. Aaron Leung has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lui Sum Wah (呂森華), aged 64, joined Milestone Specialty in February 2012 and has become a director of Milestone Specialty since then. He is also an administrator of Spartan Engineering (Macau). He was promoted to the position of contracts manager of our Group in April 2016 and is responsible for the implementation of works and the overall management of contracts of our Group.

Prior to joining Milestone Specialty, he was a director of New Method Engineering Limited from 1983 to 1987. Mr. Lui completed his secondary education in Hong Kong in 1971.

In the three years preceding the Latest Practicable Date, Mr. Lui Sum Wah has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Ng Si Yin, Ben (伍仕賢) (“Mr. Ng”), aged 60, joined Milestone Builder in July 2011 as a Project Manager, and was promoted to the position of contracts manager in April 2016. He is responsible for the implementation of works and the overall management of contracts of our Group.

Mr. Ng was approved as the authorised signatory of Milestone Builder under the Buildings Ordinance in April 2015.

Mr. Ng has over 35 years of experience in the construction and civil engineering industry. Prior to joining Milestone Builder, he worked as an assistant engineer with Hopewell Construction Co., Ltd. from June 1981. After leaving Hopewell Construction Co., Ltd. Mr. Ng joined H.K. Cheng & Partners Limited Consulting Engineers from 1982 to 2009, starting initially as an assistant engineer, subsequently as a project engineer from January 1986 to December 1989 and as an associate director from January 1990. He joined Unistress Building Construction Ltd as an engineering manager in January 2010.

Mr. Ng obtained a Baccalaureate in Applied Science degree in Civil Engineering from the University of Ottawa, Canada in May 1981.

In the three years preceding the Latest Practicable Date, Mr. Ng has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Wong King Yin (王景賢) (“Mr. K. Y. Wong”), aged 39, joined Milestone Builder in December 2008 as a Site Agent, and was promoted to the position of contracts manager of our Group in April 2016. He is responsible for the implementation of works and the overall management of contracts of our Group.

Mr. K. Y. Wong was approved as the authorised signatory of Milestone Builder under the Buildings Ordinance in April 2015.

Mr. K. Y. Wong has over 19 years of experience in the construction and civil engineering industry. Prior to joining Milestone Builder, he joined Hanison Construction Company Limited in April 1997, and left as a senior project coordinator in August 2008.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. K. Y. Wong obtained a Bachelor of Science degree in Construction Management from the University of Wolverhampton, the United Kingdom in July 2012 through distance learning.

In the three years preceding the Latest Practicable Date, Mr. K. Y. Wong has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Wong Chi On (黃智安) (“Mr. C.O. Wong”), aged 31, joined Milestone Builder in January 2016. He is currently our Company’s financial controller and company secretary. He is responsible for the oversight of our Group’s finance and accounts function and internal controls.

Mr. C.O. Wong worked at PricewaterhouseCoopers Limited from September 2007 to December 2015, initially as an associate and eventually to the position of senior manager, before joining Milestone Builder.

Mr. C.O. Wong obtained a degree of Bachelor of Business Administration (Upper Second Class Honours) from the Lingnan University in October 2007. Mr. C.O. Wong became a member of the Hong Kong Institute of Certified Public Accountants in January 2011.

In the three years preceding the Latest Practicable Date, Mr. C.O. Wong has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. C.O. Wong, who is our Company’s financial controller, also acts as the company secretary of our Company. For details of his qualifications and experience, please refer to the paragraph headed “Senior Management” in this section.

STAFF OF OUR GROUP

As at the Latest Practicable Date, our Group had over 300 employees. For details of the breakdown of the Directors and employees by functions as at the Latest Practicable Date, please refer to the paragraph headed “Business — Employees” in this prospectus.

STAFF RELATIONS

Our Group recognises the importance of a good relationship with our employees. For further details, please refer to the paragraph headed “Business — Employees — Relationship with staff” in this prospectus.

REMUNERATION POLICY

Please refer to the paragraph headed “Business — Employees — Remuneration policy” in this prospectus for details of the remuneration policy of our Group.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

RETIREMENT BENEFIT SCHEME

Our Group participates in the mandatory provident fund for its employees in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Our Group has paid the relevant contribution and contribution surcharge in accordance with the aforesaid laws and regulations.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “E. Share Option Scheme” in Appendix IV to this prospectus.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 13 March 2017 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the corporate governance code as set out in Appendix 14 (the “Corporate Governance Code”) of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of our Group, and to develop and review the policies and procedures for corporate governance and make recommendations to the Board.

The audit committee comprises the three independent non-executive Directors, namely Mr. Keung, Ms. Lau and Mr. Poon. Mr. Keung is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 13 March 2017 in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to review and to determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management and to establish a formal and transparent procedure for developing policy in relation to remuneration.

The remuneration committee comprises the two independent non-executive Directors and an executive Director, namely Mr. Keung, Mr. Poon and Mr. Leung. Mr. Keung is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 13 March 2017 and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to review the structure, size, composition and diversity of the Board and make recommendations to the Board on the appointment of Directors and management of Board succession.

The nomination committee comprises the two independent non-executive Directors and an executive Director, namely Mr. Keung, Mr. Poon and Mr. Leung. Mr. Poon is the chairman of the nomination committee.

COMPLIANCE ADVISER

Our Company has appointed the Sole Sponsor as its compliance adviser 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:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction which might be a notifiable or connected transaction under Chapters 14 and/or 14A of the Listing Rules, is contemplated including shares issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an enquiry to our Company under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on (and include) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 March 2018).

The compliance adviser shall provide us with services, including guidance and/or advice as to compliance with the requirements under the Listing Rules and/or applicable laws, rules, codes and guidelines.

FINANCIAL INFORMATION

You should read the following discussion of our Group's result of operation and financial condition in conjunction with its audited combined financial information as at 31 March 2014, 2015 and 2016 and 30 September 2016 and for each of the three years ended 31 March 2014, 2015 and 2016 and for the six months ended 30 September 2016, including the notes thereto, included in Appendix I to this prospectus. This historical combined financial information is not necessarily indicative of the future performance of our Group. Our combined financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.

The following discussion contains forward-looking statements that involves risk and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current condition and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of factors over which we have no control. You should review the section headed "Risk Factors" in this prospectus for a discussion of the important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.

Please also refer to the paragraph headed "Business — Business Model and Our Operation" in this prospectus for details of our projects mentioned in this section.

OVERVIEW

We are a long-established main contractor and subcontractor in Hong Kong. We are principally engaged in the provision of (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings. We also act as both the main contractor and subcontractor for these services. The following table sets out a breakdown of our total revenue during the Track Record Period according to our three major types of services:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building construction services	70,197	37.4	88,677	30.6	210,976	58.4	84,817	51.7	99,038	68.2
Alteration, addition, fitting-out works and building services	108,049	57.5	167,953	57.9	120,515	33.3	63,407	38.6	36,078	24.9
Repair and Restoration of historic buildings	9,549	5.1	33,226	11.5	29,936	8.3	15,988	9.7	9,975	6.9
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0

FINANCIAL INFORMATION

Our revenue for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016 was approximately HK\$187.8 million, HK\$289.9 million, HK\$361.4 million, HK\$164.2 million and HK\$145.1 million, respectively. According to the F&S Report, the revenue of our Group for the year ended 31 March 2016 represented around 0.3% of the total revenue generated from the whole construction industry in Hong Kong in 2015. According to the F&S Report, it is estimated that the revenue of the construction industry in Hong Kong will grow from approximately HK\$127.6 billion in 2016 to approximately HK\$173.2 billion in 2020, at a CAGR of around 7.8%. In view of the growth drivers of the construction industry in Hong Kong, including (i) the up-coming infrastructure projects invested by the Government; and (ii) the increasing population in Hong Kong, our Directors expect that there will be more opportunities for our business in both the public and private sectors.

As at the Latest Practicable Date, we had nine, 26 and four on-going projects in progress, pertaining to (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings, respectively. We had no major projects awarded to us but yet to commence as at the Latest Practicable Date. As at the Latest Practicable Date, the aggregate amount of revenue expected to be recognised after the Track Record Period of our on-going projects was approximately HK\$780.3 million, of which approximately HK\$204.8 million is attributable to project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, being one of our major contracts undertaken during the Track Record Period. Approximately HK\$363.0 million of the aggregate outstanding project value is expected to be recognised in the year ending 31 March 2017. Further details of our major projects are set out in the paragraph headed “Business — Business Model and Our Operation” in this prospectus.

FINANCIAL INFORMATION

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The selected financial information from our combined statements of profit or loss and other comprehensive income during the Track Record Period set forth below is extracted from and should be read in conjunction with the Accountant's Report included in Appendix I to this prospectus.

Combined statements of profit or loss and other comprehensive income

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Revenue	187,795	289,856	361,427	164,212	145,091
Cost of sales	<u>(160,655)</u>	<u>(245,684)</u>	<u>(307,146)</u>	<u>(147,758)</u>	<u>(115,442)</u>
Gross profit	27,140	44,172	54,281	16,454	29,649
Other income	295	434	407	196	462
Other gain/(losses), net	1,403	1,252	(99)	(523)	766
Administrative expenses	<u>(11,701)</u>	<u>(17,077)</u>	<u>(23,237)</u>	<u>(8,796)</u>	<u>(17,961)</u>
Operating profit	<u><u>17,137</u></u>	<u><u>28,781</u></u>	<u><u>31,352</u></u>	<u><u>7,331</u></u>	<u><u>12,916</u></u>
Finance income	6	47	60	20	31
Finance costs	<u>(1,189)</u>	<u>(2,075)</u>	<u>(1,760)</u>	<u>(907)</u>	<u>(1,066)</u>
Finance costs, net	<u><u>(1,183)</u></u>	<u><u>(2,028)</u></u>	<u><u>(1,700)</u></u>	<u><u>(887)</u></u>	<u><u>(1,035)</u></u>
Profit before income tax	15,954	26,753	29,652	6,444	11,881
Income tax expenses	<u>(2,372)</u>	<u>(4,156)</u>	<u>(5,344)</u>	<u>(1,081)</u>	<u>(2,793)</u>
Profit and total comprehensive income attributable to owners of the Company for the year/period	<u><u>13,582</u></u>	<u><u>22,597</u></u>	<u><u>24,308</u></u>	<u><u>5,363</u></u>	<u><u>9,088</u></u>

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law (as revised) of the Cayman Islands on 8 June 2016. Through the Reorganisation as further explained in the paragraph headed “History and Development — Reorganisation” in this prospectus, on 18 November 2016, our Company became the holding company of the subsidiaries now comprising our Group (collectively the “Operating Companies”). The Operating Companies were controlled by the Controlling Shareholders, primarily through Milestone Builder and Prime League throughout the Relevant Periods.

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by the Operating Companies. Pursuant to the Reorganisation, the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the combined financial information of the subsidiaries now comprising our Group is presented using the carrying values of the Listing Business for all periods presented. For the purpose of this report, the Financial Information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Intercompany transactions, balances and unrealised gains/losses on transactions between subsidiaries now comprising our Group are eliminated upon combination.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA and has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair values.

KEY FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this prospectus:

Market demand

Our results are affected by the number and availability of projects in Hong Kong, which in turn are affected by a number of factors, including but not limited to the general economic conditions in Hong Kong, changes in existing laws, regulations and Government policies related to the Hong Kong construction industry, and the amount of investment to be devoted in the construction of new infrastructure and improvement of existing infrastructure. The changes may increase or decrease the demand for our services.

FINANCIAL INFORMATION

In addition, for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, we derived approximately 24.7%, 14.4%, 14.4%, 21.3% and 12.3%, respectively, of our total revenue from contract works undertaken for public customers such as the Government and quasi-Government organisations. Public construction projects are non-recurring in nature and thus the level of the Governments spending budget may change from year to year.

There are no guarantees that the number of construction projects will not decrease in the future. In the event that the demand of building construction, alteration, addition, fitting-out works and building services and repair and restoration of historic building decreases as a result of the reduction in the number of construction projects in Hong Kong, which intuitively our profitability and financial performance may be adversely and materially affected. In addition, our projects are one-off projects which are not recurring in nature. There is no guarantee that our customers will provide us with new contracts or that we will secure new customers.

According to the F&S Report, the market size of construction engineering in Hong Kong increased at a GAGR of approximately 15.0%, 11.7% and 8.4% from 2010 to 2015 respectively and was estimated to continue to grow at a GAGR of approximately 7.8%, 7.5% and 5.9% from 2016 to 2020 respectively for (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic building. Based on the F&S Report, our Directors believe that our Group has accumulated adequate professional experience and is able to satisfy various demand and capture the future booming market of construction engineering.

Our market leading position in the historic buildings repair and restoration market in Hong Kong and our reputation in the industry

According to the F&S Report, we are one of the leading players in the repair and restoration of historic buildings market in Hong Kong with the market of approximately 11.5% of the total revenue in 2015. We believe that our established reputation in the industry and our business development will continue to benefit by our long established strong relationships with major customers to provide us a favourable position to capture the overall growth trend of the repair and restoration historic buildings market in Hong Kong illustrated in the F&S Report. Consequently, should there be any disruption to our operations, we may risk losing customers' confidences and our reputation in the industry, intuitively our profitability and financial performance may be adversely affected.

Pricing and gross profit margin of our projects

Our projects are usually awarded to us by the way of quotation request from (i) receiving letter of invitations or otherwise becoming aware of open tenders; or (ii) request for quotations from our customers or agents of our customers. When we prepare our quotation for a prospective project, we will estimate the gross profit margin in terms of monetary value and percentage. The gross profit margin of a project depends on various factors, including but not limited to the scale, complexity and specifications of the projects, our capacity, the estimated project cost (which mainly includes the direct labour cost and material costs based on the preliminary quotations from our

FINANCIAL INFORMATION

suppliers and subcontractors), historical fee we received for similar projects, the current fee level in the market and competitive conditions at the contract negotiation stage. Supporting quotations from suppliers and subcontractors will also be obtained for estimations.

In addition, in the course of our performance of contract works, our customer may issue instructions ordering variation works to the design, quality or quantity of the works which are not included in the original design layout specification. Where there are no equivalent or similar terms under the contract for reference, our customer and our Group will negotiate for adjustment in contract price. We estimate the costs of each variation work and may negotiate with our customers for charge of additional costs incurred.

During the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, the gross profit margins of our business amounted to approximately 14.5%, 15.2%, 15.0%, 10.0% and 20.4%, respectively. Should we fail to balance the tender or quotation price, or in the event that our Group disagrees on the rates fixed by our customer over variation works, our profitability and financial performance may be adversely affected due to (i) offering a price lower than actual cost, intuitively eliminating our gross profit and gross profit margin; or (ii) offering a less competitive price than our competitors, intuitively may render our quotation unsuccessful. There is no assurance that our gross profit margins will not decrease in the future. In the event that the gross profit margins of any of our significant future projects fall below our historical gross profit margins, our financial performance and profit would be adversely affected.

Timing of collection of our trade receivables and retention monies receivables

Customers are generally entitled to hold up a portion of progress payment to secure the due performance of our Group. During the Track Record Period, public and private customers generally hold up to a maximum of 5% of the contract sum as retention money. However, they will normally release 50% of the retention money upon completion of the project and the remaining 50% of the retention money upon the end of the defect liability period. Our liaison with our customers on the rectification of any defects with contract works and potential dispute that may arise will affect the timing and amount of the release of the retention money. There can be no assurance that such retention money will be released by our customers to us on a timely basis and in full upon expiry of the defect liability period.

As at 31 March 2014, 2015, 2016 and 30 September 2016, our retention monies receivable were approximately HK\$14.3 million, HK\$20.8 million, HK\$23.5 million and HK\$22.5 million respectively. Should we fail in recovering payments from our customers to us on time and in full, our liquidity and financial position would be adversely and materially impacted.

Fluctuation in project costs

Our major direct costs include (i) construction material costs; (ii) subcontracting charges; (iii) labour costs; and (iv) contra charges, which were cost of specific construction materials requested by contract customers. These cost of sale components in aggregate accounted for approximately 92.9%, 94.3%, 93.9%, 94.4% and 92.1% of the total cost of sales for the three years ended 31

FINANCIAL INFORMATION

March 2016 and the six months ended 30 September 2015 and 2016, respectively, whereas subcontracting fees constitute the largest component of our direct costs, amounting to approximately 62.5%, 62.4%, 57.1%, 70.8% and 54.0% of our total direct costs. For the purpose of preparing the tender or quotation price, we may obtain preliminary quotations from our subcontractors in order to have a more accurate estimation for the project cost to be involved. However, the actual subcontracting fees will not be determined until after we have entered into agreements with our subcontractors, which generally take place subsequent to our Group having entered into the construction agreement with our customer. Our profitability therefore relies heavily on our ability to control and manage our direct project costs, in particular subcontracting fees. Any fluctuations in the subcontracting fees after we have submitted our tender or provided our quotation will have an impact on our profitability, if we fail to include an appropriate cost estimate in the tender or quotation.

Whilst our Group analyse the project requirements, estimate subcontracting and labour costs, and take various factors into consideration before determining the tender or quotation price, should the fluctuation in project costs increase unexpectedly to the extent that our Group has to bear with the substantially increased cost without compensation from our customers, our profitability and financial performance may be adversely affected.

Please refer to the paragraph headed “Principal Components of Results of Operations — Cost of sales” in this section for the sensitivity analysis of our Group’s major direct cost components during the Track Record Period.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The Accountant’s Report in Appendix I to this prospectus sets out further information regarding certain significant accounting policies, such as revenue recognition, in note 2, which are important for an understanding of the financial condition and results of operation of our Group. Some of our accounting policies involve subjective assumptions, estimates and judgements that are discussed in notes 2 and 4 to the Accountant’s Report in Appendix I to this prospectus. In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and other associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. Please refer to notes 2 and 4 of the Accountant’s Report in Appendix I to this prospectus for further information.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

The selected financial information from our Group’s combined balance sheets as at 31 March 2014, 2015 and 2016 and 30 September 2016 and its combined statements of comprehensive income and combined statements of cash flows for the three years ended 31 March 2016 and the six

FINANCIAL INFORMATION

months ended 30 September 2015 and 2016 set forth below are extracted from the section headed “Accountant’s Report” included in Appendix I to this prospectus, and should be read in conjunction with it.

Revenue

Our revenue amounted to approximately HK\$187.8 million, HK\$289.9 million, HK\$361.4 million, HK\$164.2 million and HK\$145.1 million for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively. The following table sets forth the details of our Group’s revenue by projects undertaken for public customers versus private customers during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	HK\$’000	%	HK\$’000	%	HK\$’000	%	HK\$’000	%	HK\$’000	%
	<i>(unaudited)</i>									
Public customers	46,326	24.7	41,675	14.4	51,947	14.4	35,052	21.3	17,802	12.3
Private customers	141,469	75.3	248,181	85.6	309,480	85.6	129,160	78.7	127,289	87.7
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0

Note: For the purpose of this calculation, public customers include quasi-Government entities, charitable organisations and institutes.

Revenue from contract works undertaken for public customers was approximately HK\$46.3 million, HK\$41.7 million, HK\$51.9 million, HK\$35.1 million and HK\$17.8 million for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively, representing approximately 24.7%, 14.4%, 14.4%, 21.3% and 12.3% of our Group’s revenue for the corresponding year and period. As compared with contracts from private customers which showed prominent growth from the year ended 31 March 2014 to 2016, the amount of our Group’s revenue from contract works undertaken for public customers remained fairly stable because contracts from public customers tend to be deployed from the Government and quasi-Government organisations in a steadier manner. In addition, contracts from public customers are subject to upper limit for the value of contracts that can be undertaken at a time. Our Group is a Group A (probation) contractor for “Buildings” category in the Contract List and may tender for any number of contracts in the same category, up to a limited of HK\$100 million in terms of total value of contract works. The period-to-period decrease in our Group’s revenue from contract works undertaken for public customers from six months ended 30 September 2015 to 2016 was due to the completion of a major contract for alternation and addition works for a quasi-Government entity, namely project B3 - Renovation works for a university hall, during the six months ended 30 September 2015, as a result of which our Group recorded approximately HK\$25.0 million less revenue from this single major contract during the six months ended 30 September 2016. The general year-to-year and period-to-period decrease in proportion of our Group’s revenue from contract works undertaken for public customers over the Track Record Period is mainly due to the completion of the said major contract as well as the diluting effect of the growth in our Group’s revenue from private customers.

FINANCIAL INFORMATION

Revenue from contract works undertaken for private customers was approximately HK\$141.5 million, HK\$248.2 million, HK\$309.5 million, HK\$129.2 million and HK\$127.3 million for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively, representing approximately 75.3%, 85.6%, 85.6%, 78.7% and 87.7% of our Group's revenue for the corresponding year. The increase in our equity base, the obtaining of more banking facilities, the furthering of our reputation in the industry, and the expansion in our headcount capacity over the Track Record Period has enabled us to take on more contract works from private customers. As our Group expanded our business and increased our market share by successfully securing more contracts from private customers, there was a year-to-year increase in both amount and proportion of revenue from contract works undertaken for private customers from the year ended 31 March 2014 to 2016. Notwithstanding the general increase in our Group's volume of contract activities for private customers, there was a marginal period-to-period decrease in our Group's revenue from contract works undertaken for private customers from six months ended 30 September 2015 to 2016 principally because for one of the major project, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works. Due to the nature of this contract, more extensive measurement is required for a material proportion of contract works performed before the corresponding value of progress payment up to a certain stage can be ascertained. As the involved measurement works are typically more time consuming due to more extensive review required, certain portion of contract works undertaken by our Group up to 30 September 2016 has not yet been certified by the contract employer as at 30 September 2016. As this contract ranks amongst the foremost in terms of revenue contribution for the six months ended 30 September 2016, the corresponding effect is more pronounced and contributed to a decline in our Group's contract revenue for the period concerned.

The following table sets forth the details of our Group's revenue analysed by our Group acting as main contractor versus subcontractor:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Main contractor	95,515	50.9	89,342	30.8	95,576	26.4	43,231	26.3	49,423	34.1
Subcontractor	92,280	49.1	200,514	69.2	265,851	73.6	120,981	73.7	95,668	65.9
Total	187,795	100.0	289,856	100.0	361,427	100.0	164,212	100.0	145,091	100.0

Revenue from contract works with our Group acting as main contractor was approximately HK\$95.5 million, HK\$89.3 million, HK\$95.6 million, HK\$43.2 million and HK\$49.4 million for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively, representing approximately 50.9%, 30.8%, 26.4%, 26.3% and 34.1% of our Group's revenue for the corresponding year. As a main contractor, we perform works according to the relevant contracts and may delegate work to our subcontractors under the supervision of and management by our project management team. As compared with revenue from contract works as a subcontractor which showed prominent growth, revenue from contract works undertaken by us as

FINANCIAL INFORMATION

main contractor tends to be more stable as these contract works typically covers those from public customers, and as such is subject to the upper limit for the value of contracts that can be undertaken at a time, as previously explained.

Revenue from contract works as a subcontractor was approximately HK\$92.3 million, HK\$200.5 million, HK\$265.9 million, HK\$121.0 million and HK\$95.7 million for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively, representing approximately 49.1%, 69.2%, 73.6%, 73.7% and 65.9% of our Group's revenue for the corresponding year and period. As a subcontractor, we work under a main contractor supervision and provide delegated services. There was a prominent growth in our revenue from contract works as a subcontractor over the Track Record Period since our business expansion was primarily achieved through securing new contract works as a subcontractor due to the relatively more timely progress payments and fewer limitations as compared to working as a main contractor, including the requirements for surety bonds. The period-to-period decrease in contract works with our Group acting as a subcontractor from the six months ended 30 September 2015 to 2016 was primarily due to the completion during the later period of two major building construction service contracts, namely project A1 — Superstructure works of a new columbarium budding at a cemetery in Chai Wan, and project A3 — Design and build for the proposed new compound and airlines offices in or nearby the Hong Kong International Airport, as a result of which our Group derived approximately HK\$46.3 million and HK\$19.5 million less of contract revenue from the respective contract during the six months ended 30 September 2016. In addition, as explained previously, notwithstanding that substantial contract works were undertaken by our Group for another major building construction service contract, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, certain portion of contract works undertaken by our Group up to 30 September 2016 has not yet been certified by the contract employer as at 30 September 2016 due to more extensive review required for the measurement of value of progress payment for a materially higher proportion of contract works for this particular contract, which thereby also affected our Group's contract revenue for the concerned period.

FINANCIAL INFORMATION

During the Track Record Period and up to the Latest Practicable Date, we undertook 20, 40 and five major projects of (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings, respectively, which had contract value over HK\$3 million. For further details, please refer to the section headed “Business” in this prospectus.

The following table sets forth the list of our major projects belonging to the contract category of building construction services and correlating revenue contribution during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	Total revenue recognised during the Track Record Period	% of total revenue recognised during the Track Record Period
	2014	2015	2016	2016	Period	Period
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Building construction services						(Approximate)
Project A1	—	25,099	67,388	4,705	97,192	9.9
Project A2	—	—	82,714	51,816	134,530	13.7
Project A3	—	8,172	19,955	502	28,629	2.9
Project A4	—	4,982	21,384	16,117	42,483	4.3
Project A5	9,499	16,087	—	2,712	28,298	2.9
Project A6	20,785	447	—	—	21,232	2.2
Project A7	3,226	6,115	5,214	460	15,015	1.5
Project A8	4,298	8,683	919	1,439	15,339	1.6
Project A9	3,893	5,986	2,237	901	13,017	1.3
Project A10	7,501	—	856	—	8,357	0.8
Project A11	4,279	1,647	758	242	6,926	0.7
Project A12	1,088	4,931	181	47	6,247	0.6
Project A13	4,556	1,105	—	—	5,661	0.6
Project A14	2,853	—	—	—	2,853	0.3
Project A17	—	—	—	4,440	4,440	0.5
Project A18	—	—	1,305	9,471	10,776	1.1
Project A20	—	—	—	3,026	3,026	0.3
	<u>61,978</u>	<u>83,254</u>	<u>202,911</u>	<u>95,878</u>	<u>444,021</u>	<u>45.2</u>
Total building construction services revenue	<u>70,197</u>	<u>88,677</u>	<u>210,976</u>	<u>99,038</u>	<u>468,888</u>	<u>47.6</u>

Note: Projects A15, A16 and A19 are projects undertaken but not yet recognized any revenue during the Track Record Period.

FINANCIAL INFORMATION

During the three years ended 31 March 2016 and the six months ended 30 September 2016, aggregate revenue generated from our major building construction service contracts with contract value over HK\$3 million were approximately HK\$61.9 million, HK\$83.3 million, HK\$202.9 million and HK\$95.9 million, respectively, which together accounted for approximately 45.2% of our total revenue for the Track Record Period. Meanwhile, aggregate revenue generated from our building construction services contracts accounted for approximately 47.6% of our total revenue for all categories of contracts for the Track Record Period.

The following table sets forth the list of our major projects belong to the contract category of alteration, addition, fitting-out works and building services and correlating revenue contribution during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	Total revenue recognised during the Track Record Period	% of total revenue recognised during the Track Record Period
	2014	2015	2016	2016	Period	%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(Approximate)
Alteration, addition, fitting-out works and building services						
Project B1	26,750	22,555	11,008	—	60,313	6.1%
Project B2	—	24,626	10,457	985	36,068	3.7%
Project B3	—	—	29,858	—	29,858	3.0%
Project B4	1,765	13,884	—	945	16,594	1.7%
Project B5	—	185	11,352	2,111	13,648	1.4%
Project B6	1,667	7,092	214	—	8,973	0.9%
Project B7	—	—	8,262	3,592	11,854	1.2%
Project B8	—	—	8,199	69	8,268	0.8%
Project B9	—	6,217	673	—	6,890	0.7%
Project B10	1,678	4,931	—	244	6,853	0.7%
Project B11	—	—	6,392	1,754	8,146	0.8%
Project B12	—	6,290	33	—	6,323	0.6%
Project B13	—	5,732	457	—	6,189	0.6%
Project B14	6,129	—	—	—	6,129	0.6%
Project B15	—	5,823	164	—	5,987	0.6%
Project B16	5,275	430	60	—	5,765	0.6%
Project B17	—	1,787	3,897	—	5,684	0.6%
Project B18	—	5,263	4	—	5,267	0.5%
Project B19	3,580	1,108	266	—	4,954	0.5%
Project B20	—	1,237	3,268	330	4,835	0.5%
Project B21	1,698	2,328	119	—	4,145	0.4%
Project B22	3,403	—	211	—	3,614	0.4%
Project B23	—	3,517	—	—	3,517	0.4%
Project B24	—	3,075	—	—	3,075	0.3%
Project B25	—	—	—	1,262	1,262	0.1%
Project B26	—	—	3,312	1,988	5,300	0.5%
Project B28	—	—	—	3,982	3,982	0.4%
Project B36	—	—	—	4,803	4,803	0.5%
Project B37	—	—	—	3,753	3,753	0.4%
	51,945	116,080	98,206	25,818	292,049	29.5
Total alteration, addition, fitting-out works and building services revenue	108,049	167,953	120,515	36,078	432,595	44.0

FINANCIAL INFORMATION

During the three years ended 31 March 2016 and the six months ended 30 September 2016, aggregate revenue generated from our 29 largest alteration, addition, fitting-out works and building service contracts with highest contract sum was approximately HK\$51.9 million, HK\$116.1 million, HK\$98.2 million and HK\$25.8 million, respectively, which together accounted for approximately 29.5% of our total revenue for the Track Record Period. Meanwhile, aggregate revenue generated from our alteration, addition, fitting-out works and building service contracts accounted for approximately 44.0% of our total revenue for all categories of contracts for the Track Record Period.

The following table sets forth the list of our major projects belong to the contract category of repair and restoration of historic building and correlating revenue contribution during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	Total revenue recognised during the Track Record Period	% of total revenue recognised during the Track Record Period
	2014	2015	2016	2016	Period	Period
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Repair and restoration of historic building						(Approximate)
Project C1	6,610	16,229	12,932	6,555	42,326	4.3
Project C2	189	6,467	3,950	—	10,606	1.1
Project C3	—	—	5,191	—	5,191	0.5
Project C4	—	3,773	13	—	3,786	0.4
Project C5	953	1,524	—	—	2,477	0.3
Project C6	—	—	—	795	795	0.1
	<u>7,752</u>	<u>27,993</u>	<u>22,086</u>	<u>7,350</u>	<u>65,181</u>	<u>6.7</u>
Total repair and restoration of historic building revenue	<u>9,549</u>	<u>33,226</u>	<u>29,936</u>	<u>9,975</u>	<u>82,686</u>	<u>8.4</u>

During the three years ended 31 March 2016 and the six months ended 30 September 2016, aggregate revenue generated from our six largest repair and restoration of historical building contracts with highest contract sum was approximately HK\$7.8 million, HK\$28.0 million, HK\$22.1 million and HK\$7.4 million, respectively, which together accounted for approximately 6.7% of our total revenue for the Track Record Period. Meanwhile, aggregate revenue generated from our repair and restoration of historical building contracts accounted for approximately 8.4% of our total revenue for all categories of contracts for the Track Record Period.

For details of our major projects, please refer to the tables under the paragraph headed “Business — Business Model and Our Operation” in this prospectus.

FINANCIAL INFORMATION

Cost of sales

The following table sets out a summary of cost of sales for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Construction material costs	25,563	41,949	47,485	16,147	11,601
Subcontracting costs	100,359	153,190	175,308	104,542	62,333
Labour costs	23,392	36,614	53,625	18,747	22,074
Contra-charges	—	—	12,044	—	10,360
Transportation and machinery rental charges	2,947	3,029	5,911	2,263	2,648
Depreciation	44	109	163	56	141
Insurance	3,322	5,761	3,644	1,448	847
Consultant fee	1,303	1,778	1,690	691	301
Scaffolding expenses	644	1,317	1,122	592	1,186
Others	3,081	1,937	6,154	3,272	3,951
Total cost of sales	<u>160,655</u>	<u>245,684</u>	<u>307,146</u>	<u>147,758</u>	<u>115,442</u>

Total cost of sales primarily consist of (i) construction material costs; (ii) subcontracting charges; (iii) labour costs; and (iv) contra-charges. These cost of sale components in aggregate accounted for approximately 92.9%, 94.3% and 93.9%, 94.4% and 92.1% of the total cost of sales for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively. Other cost of sale components included (i) transportation and machinery rental charges; (ii) insurance; (iii) scaffolding expenses; and (iv) other direct cost related contract activities such as equipment and tooling expenses, government levy charges, waste disposal fees, sundry site expenses. The net movement of amounts due from/to customers from contract work arises as a result of the timing difference between incurred cost and cost attributable to revenue, whereas both revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. Therefore, the cost of sales represents costs attributable to the revenue recognised during the respective year comprising the Track Record Period.

The year-to-year increase in cost of sales for the three years ended 31 March 2016 was generally in line with growth in volume of our contract activities, with the increase in contract cost components of labour costs, transportation and machinery rental charges and others for the year ended 31 March 2016 being more than proportionate than growth in our Group's turnover, as the expansion of our Group's manpower capacity enables us to undertake a higher proportion of contract works on our own behalf rather than employing subcontractors to carry out the contract works. In particular, for one of our major contracts, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works commenced in the year ended 31 March 2016, by virtue of the relatively remote site location, we carried out a higher proportion of contract works by ourselves instead of employing subcontractors.

FINANCIAL INFORMATION

The overall period-to-period decrease in cost of sales from the six months ended 30 September 2015 to 2016 was in line with the lower contract revenue recognised for the later period, with the magnitude of reduction being higher with cost of sales as compared to revenue due to the overall improvement of our Group's gross profit margin for the period concerned. The decrease in cost of sales was most clearly reflected with cost components of subcontracting costs in our major building construction service contract undertaken during the period concerned, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works. As explained previously, we carried out a higher proportion of contract works by ourselves instead of employing subcontractors for this contract, which further contributed to the more than proportionate decrease in our Group's subcontracting costs. For the same reason that we carried out a higher proportion of contract works by ourselves instead of employing subcontractors during the period concerned, there was a period-to-period increase in cost components of labour costs, transportation and machinery rental charges and others from the six months ended 30 September 2015 to 2016, despite the overall decrease in contract revenue recognised for the period concerned.

Construction material costs

For the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, our material costs amounted to approximately HK\$25.6 million, HK\$41.9 million, HK\$47.5 million, HK\$16.1 million and HK\$11.6 million, representing approximately 15.9%, 17.1%, 15.5%, 10.9% and 10.0% of our cost of sales, respectively. Construction material costs mainly represent costs of raw material consumed in the course of our project undertakings including but not limited to steel, sand, cement, lighting materials, timber, door accessories and metal works. The construction material costs incurred for a particular contract varies from project to project depending on the nature and size of our project. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's material costs on our Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
If the material costs had been 5% higher/lower					
Increase/decrease in profit before taxation	1,278	2,097	2,374	807	580
Percentage increase/decreases in profit before taxation	8.0%	7.8%	8.0%	12.5%	4.9%
If the material costs had been 10% higher/lower					
Increase/decrease in profit before taxation	2,556	4,195	4,749	1,615	1,160
Percentage increase/decreases in profit before taxation	16.0%	15.7%	16.0%	25.1%	9.8%

FINANCIAL INFORMATION

Subcontracting costs

For the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, our subcontracting charges amounted to approximately HK\$100.4 million, HK\$153.2 million, HK\$175.3 million, HK\$104.5 million and HK\$62.3 million, representing approximately 62.5%, 62.4%, 57.1%, 70.8% and 54.0% of our cost of sales, respectively. Subcontracting charges represent direct fees paid and payable to subcontractors who provide site works for the completion of our projects. During the Track Record Period, works that we delegated to our subcontractors were generally labour intensive or required specific skill sets. The level of subcontracting costs incurred by our Group in any given reporting period were influenced by factors such as the number of projects in progress at any given point of time; the work schedule of each project; and the size and complexity of each project. Please refer to the paragraph headed “Business — Suppliers and Subcontractors — Selection criteria for suppliers and subcontractors” in this prospectus for further details about our subcontractors. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group’s subcontracting charges on our Group’s profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				<i>(unaudited)</i>	
If the subcontracting costs had been 5% higher/lower					
Increase/decrease in profit before taxation	5,018	7,660	8,765	5,227	3,117
Percentage increase/decreases in profit before taxation	31.5%	28.6%	29.6%	81.1%	26.2%
If the subcontracting costs had been 10% higher/lower					
Increase/decrease in profit before taxation	10,036	15,319	17,531	10,454	6,233
Percentage increase/decreases in profit before taxation	62.9%	57.3%	59.1%	162.2%	52.5%

Labour costs

For the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, our labour costs amounted to approximately HK\$23.4 million, HK\$36.6 million, HK\$53.6 million, HK\$18.7 million and HK\$22.1 million, respectively, approximately 14.6%, 14.9%, 17.5%, 12.7% and 19.1% of our cost of sales. Labour costs represent compensation and benefits provided to the staff of our Group’s project team and direct workers who are directly involved in the provision of our Group’s services. The labour costs incurred for a particular contract varies from project to project depending on the nature and size of our project, and is mainly driven by factors such as man and machine hours incurred; the construction site condition; and the size and

FINANCIAL INFORMATION

complexity of contract works involved. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's direct labour costs on our Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
If the labour costs had been 5% higher/lower					
Increase/decrease in profit before taxation	1,170	1,831	2,681	937	1,104
Percentage increase/decreases in profit before taxation	7.3%	6.8%	9.0%	14.6%	9.3%
If the labour costs had been 10% higher/lower					
Increase/decrease in profit before taxation	2,339	3,661	5,363	1,875	2,207
Percentage increase/decreases in profit before taxation	14.7%	13.7%	18.1%	29.1%	18.6%

Contra-charges

It is common in the civil engineering construction industry that a main contractor may pay on behalf of its subcontractor for certain expenses for a civil engineering project. Such expenses are typically deducted from its payments to that subcontractor in settling its service fees for the project. Such payment arrangement is referred to as the "contra-charge arrangement" and the amounts involved are referred to as the "contra-charge".

Contra-charges for the year ended 31 March 2016 were incurred mainly out of requests made by contract customers, who were main contractors for contract works granted to us, for the purchase of specific construction materials for projects undertaken for the relevant main contractors, these material costs are charged back to us as contra charges. No contra charges have been incurred for the two years ended 31 March 2015 as our main contractors did not initiate such requests for the said years.

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

No sensitivity analysis has been presented for contra-charges for the foregoing reason and also because both the specification and amount involved of the contract cost component subject to contra-charge arrangement were pre-agreed at the contract inception stage and, as such, is normally not subject to fluctuations during the course of contract work performances.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit was approximately HK\$27.1 million, HK\$44.2 million, HK\$54.3 million, HK\$16.5 million and HK\$29.6 million for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively, while our gross profit margin was approximately 14.5%, 15.2%, 15.0%, 10.0% and 20.4% for the same aforementioned periods. Our gross profit margin is mainly driven by our tender or quotation price of the projects which stemmed from various factors, such as (i) the nature, scope and complexity of the project; (ii) estimated direct cost to complete the project, including mainly those in relation to the type and amount of materials needed, direct labour costs, subcontracting charges; (iii) prevailing market conditions; and (iv) relationship with and background of our customer. The year-to-year increase in gross profit amount for all sectors during the three years ended 31 March 2016 was driven by the increase in business volume of contract activities. The period-to-period increase in gross profit amount from the six months ended 30 September 2015 to 2016 was driven by the higher profit margin realised for certain contracts undertaken by our Group during the period concerned, including notably project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, which ranked amongst our largest contracts in terms of contract revenue and contributed more than HK\$51 million worth of contract revenue during the period concerned.

The following table sets out a breakdown of gross profit and gross profit margin of our Group for projects undertaken for public customers versus private customers during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public customers	7,313	15.8	8,803	21.1	8,953	17.2	6,553	18.7	3,241	18.2
Private customers	19,827	14.0	35,369	14.3	45,328	14.6	9,901	7.7	26,408	20.7
	<u>27,140</u>	<u>14.5</u>	<u>44,172</u>	<u>15.2</u>	<u>54,281</u>	<u>15.0</u>	<u>16,454</u>	<u>10.0</u>	<u>29,649</u>	<u>20.4</u>

Gross profit margin with contract works undertaken for public customers were generally higher than those attributable to private customers during the Track Record Period, with the exception of the six months ended 30 September 2016, as our Directors understand that public customers' contracts were given higher priorities to factors other than contract sum pricing, such as performance grading of the tendering party. In comparison, price competition for market share is more severe with contract works from private customers, which generally resulted in lower contract gross profit margin with this market segment. For the six months ended 30 September 2016, a materially higher gross profit amount as well as margin was realised with contract works undertaken for private customers, as compared with the comparative period of six months ended 30

FINANCIAL INFORMATION

September 2015, mainly because we managed to derive a relatively higher contract margin for one of our major building construction service contract, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, which ranked amongst our largest contracts in terms of contract revenue for the period concerned. The Directors understand that by virtue of the relatively remote site location for this particular contract, competition from fellow bidding contractors at the contract tendering stage for being awarded the contract was relatively mitigated as compared to various other contracts undertaken for private customers during the Track Record Period. In addition, as explained previously, we carried out a higher proportion of contract works by ourselves instead of employing subcontractors to do so for this particular contract, which also enabled us to contained the contract cost at a generally lower level for certain contract elements.

The following table sets out a breakdown of gross profit and gross profit margin with our Group acting as main contractor versus subcontractor during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	12,887	13.5	16,269	18.2	16,684	17.5	6,948	16.1	8,679	17.6
Subcontractor	14,253	15.4	27,903	13.9	37,597	14.1	9,506	7.9	20,970	21.9
	<u>27,140</u>	<u>14.5</u>	<u>44,172</u>	<u>15.2</u>	<u>54,281</u>	<u>15.0</u>	<u>16,454</u>	<u>10.0</u>	<u>29,649</u>	<u>20.4</u>

Our Directors are of the view that no clear benchmark of profit margin between contract works as main contractor versus subcontractor could be established, for the reason discussed above that profit margin with each of these business segments is subject to various factors discussed above. Nevertheless, gross profit margin was higher with contract works as main contractor for the two years ended 31 March 2016, as compared with contract works as subcontractor, because the former category typically covers public customers' contracts, which as previously explained tend to have a higher contract gross profit margin. In addition, for certain major contracts undertaken by our Group as subcontractor during the two years ended 31 March 2016, including project A1 — Superstructure works of a new columbarium building at a cemetery in Chai Wan; and project C1 — Revitalisation and conservation for a cluster of house in Wan Chai, which are amongst our largest contracts in terms of contract revenue, they have a lower than average contract gross profit margin and, accordingly, contributed to a lower overall gross profit margin for the category of contract works with our Group acting as subcontractor. For the six months ended 30 September 2016, a markedly higher gross profit margin was realised for contract works with our Group acting as subcontractor, as compared with the comparative period of the six months ended 30 September 2015, mainly because of the aforementioned projects A1 and C1 with lower than average contract gross profit margin, they accounted for a considerable proportion of contract revenue for the

FINANCIAL INFORMATION

comparative period and thereby affected the overall contract profit recorded for the period concerned. In addition, in respect of one of the major contracts undertaken by our Group acting in the capacity as a subcontractor, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, which ranked amongst our largest contracts for the period concerned in terms of contract revenue, we were able to derive a relatively higher contract margin partially due to mitigated price competition pressure at the contract tendering stage by virtue of the relatively remote site location for this particular contract, and also as we carried out a higher proportion of contract works by ourselves instead of employing subcontractors for this particular contract, as explained previously.

The following table sets out a breakdown of gross profit and gross profit margin for the respective categories of contract works undertaken by our Group during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2014		2015		2016		2015		2016	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building construction services	10,096	14.4	12,982	14.6	31,490	14.9	6,018	7.1	23,381	23.6
Alteration, addition, fitting-out works and building services	16,026	14.8	26,959	16.1	19,131	15.9	8,350	13.2	5,011	13.9
Repair and restoration of historic buildings	1,018	10.7	4,231	12.7	3,660	12.2	2,086	13.0	1,257	12.6
	<u>27,140</u>	<u>14.5</u>	<u>44,172</u>	<u>15.2</u>	<u>54,281</u>	<u>15.0</u>	<u>16,454</u>	<u>10.0</u>	<u>29,649</u>	<u>20.4</u>

Gross profit margin for the contract category of building construction services has been fairly stable throughout the three years ended 31 December 2016. For the six months ended 30 September 2015, a markedly lower gross profit margin was realised for the contract category of building construction services, mainly because a lower than average contract gross profit margin was realised for certain contracts undertaken during this comparative period, including notably the aforementioned major project A1 which accounted for a considerable proportion of contract revenue for the period concerned, and thereby affected the overall contract profit recorded in respect of this contract category for the comparative period.

Gross profit margin for the contract category of alteration, addition, fitting-out works and building services were generally higher than other contract categories throughout the Track Record Period, except for the six months ended 30 September 2016 of which the highest contract margin

FINANCIAL INFORMATION

was realised for the contract category of building construction services. Our Directors understand that because contract works undertaken by our Group with this contract category during the Track Record Period were generally of lower contract sum denomination while involving more complex contract performances of extending the existing superstructure, our Group was able to obtain a better contract gross profit margin with this contract category. For the six months ended 30 September 2016, a markedly higher gross profit margin was realised for the contract category of building construction services, mainly because of one of our major contracts belonging to this contract category, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, which accounted for a significant more than HK\$51 million worth of contract revenue attributable to this contract category for the period concerned, we were able to derive a relatively higher contract margin partially due to mitigated pressure from competing bidding contractors at the contract tendering stage by virtue of the relatively remote site location for this particular contract, and also as we carried out a higher proportion of contract works by ourselves instead of employing subcontractors for this particular contract, as explained previously.

Gross profit margin for the contract category of repair and restoration of historic buildings remained the lowest amongst all contract categories throughout the Track Record Period, except for the six months ended 30 September 2015 of which the lowest contract margin realised was in respect of the contract category of building construction services, mainly because for a major contract undertaken by our Group belonging to this contract category, namely project C1— Revitalisation and conservation for a cluster of house in Wan Chai, which ranked amongst our largest contracts in terms of contract revenue, it has a lower than average contract gross profit margin and, accordingly, contributed to a lower overall gross profit margin for this contract category. To the best of the knowledge and understanding of our Directors, due to the special expertise required for the preservation works of old structures, graded historic buildings and declared monuments where technical solutions and professional services are deployed, the industry segment of contract works for repair and restoration of historical buildings has a relatively small market size. Our Directors consider project C1 to be of comparatively large scale and higher profile within this industry segment. Accordingly, notwithstanding the relatively lower contract gross profit margin for project C1, our Directors consider the undertaking of this project shall confer long term benefits to our Group in terms of establishing market share and reputation with this industry segment.

General and administrative expenses

General and administrative expenses mainly include auditor's remuneration, depreciation, entertainment expenses, insurance, legal and professional fees, motor vehicles and travelling expenses, rental expenses and staff costs (including Directors' emoluments) and other

FINANCIAL INFORMATION

administrative expenses, as well as non-recurrent item of listing expenses. The following table sets out a breakdown of our general and administrative expenses for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016.

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Auditor's remuneration	130	190	190	95	95
Depreciation	980	1,140	2,278	978	1,342
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	6,481	10,053	10,847	4,737	6,002
Operating lease rentals in respect of car parking spaces, office premises and warehouses	380	571	749	311	471
Entertainment expenses	421	666	1,306	621	1,595
Staff welfare and messing	238	512	161	102	292
Donations	357	—	30	—	—
Motor vehicle expenses	406	675	1,351	595	861
Bank charges	448	540	481	82	336
Office expenses	529	668	838	323	370
Listing expenses	—	—	2,985	—	4,908
Other expenses	1,331	2,062	2,021	952	1,689
Total general and administrative expenses	<u>11,701</u>	<u>17,077</u>	<u>23,237</u>	<u>8,796</u>	<u>17,961</u>

The increase in administrative expenses throughout the Track Record Period was reflected mostly in (i) salaries and allowances, as we increased our administrative headcount by more than 50 staffs during the Track Record Period; (ii) depreciation, as we made additions of property, plant and equipment of approximately HK\$10.3 million during the Track Record Period; and (iii) entertainment and motor vehicle expenses, as our volume of business expanded. In addition, we incurred non-recurrent listing expenses of approximately HK\$3.0 million and HK\$4.9 million, respectively, during the year ended 31 March 2016 and the six months ended 30 September 2016.

FINANCIAL INFORMATION

Other income

Other income mainly includes (i) rental income from sub-lease of our Group's premise; and (ii) sundry income. The following table sets forth the details of our Group's other income during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental income	163	258	195	90	69
Sundry income	132	176	212	106	393
	<u>295</u>	<u>434</u>	<u>407</u>	<u>196</u>	<u>462</u>

Approximately HK\$131,000, HK\$156,000, HK\$165,000, HK\$75,000 and HK\$54,000 of our rental income were derived from sub-leasing of premise to a related party, Spartan Construction Materials Limited during the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016 respectively. Please refer to the paragraph headed "Relationship with Controlling Shareholder and Non-competition Undertaking — Interests of the Controlling Shareholders in Other Business" in this prospectus for further details of Spartan Construction Materials Limited.

Other gains/(losses), net

Other gains/(losses), net mainly represent the losses or gains on disposal of property, plant and equipment and the fair value gains or losses of financial assets. The following table sets forth the details of our Group's other gains/(losses), net, during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Losses)/gains on disposal of property, plant and equipment	(83)	42	—	—	22
Fair value gains/(losses) on financial assets at fair value through profit or loss	1,486	1,210	(99)	(523)	859
Fair value losses on non-current assets held for distribution	—	—	—	—	(115)
	<u>1,403</u>	<u>1,252</u>	<u>(99)</u>	<u>(523)</u>	<u>766</u>

FINANCIAL INFORMATION

The fair value gains/(losses) on financial assets at fair value through profit or loss are in respect of key management insurance contracts, the beneficiary of which is Milestone Builder HK. As at 31 March 2014, 2015 and 2016, our Group's underlying financial assets at fair value through profit or loss amounting to approximately HK\$7.6 million, HK\$10.8 million and HK\$10.7 million, respectively, were pledged as collateral for our Group's bank borrowings.

On 15 September 2016, the Directors approved the re-assignment of our Group's key management insurance contracts (classified as financial assets at fair value through profit or loss) to the respective Directors. Accordingly, the management classified the Group's financial assets at fair value through profit or loss as non-current assets held for distribution as at 30 September 2016, as their fair values would be recovered principally through distribution. These financial assets are available for immediate distribution at their present conditions and such distribution is considered highly probable. Accordingly, from 15 September 2016 onwards, these financial assets are stated at the lower of carrying amount and fair value less costs to sell, and losses incurred thereafter up to 30 September 2016 in respect of these financial assets was classified under the above category of fair value losses on non-current assets held for distribution. As at 30 September 2016, the amount recognised in respect of these financial assets was approximately HK\$11.4 million.

Finance income and costs

The following table sets forth the details of our Group's finance income and costs during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Finance income					
— Bank interest income	6	47	60	20	31
	6	47	60	20	31
Finance costs					
— Interest expense on borrowings	(1,051)	(1,835)	(1,694)	(874)	(990)
— Interest expense on obligations under finance leases	(13)	(43)	(86)	(37)	(71)
— Foreign exchange (losses)/gains, net	(125)	(197)	20	4	(5)
	(1,189)	(2,075)	(1,760)	(907)	(1,066)
Finance costs, net	(1,183)	(2,028)	(1,700)	(887)	(1,035)

FINANCIAL INFORMATION

Our Group's finance costs represent principally interest expenses on borrowings which comprised bank overdrafts and bank loans. Other components of our Group's finance costs include (i) foreign exchange gains and losses; and (ii) interest expenses on obligations under finance leases. The general year-to-year and period-to-period increase in our Group's finance costs was principally due to additional draw down of bank borrowings as our Group's operation expanded.

Income tax expenses

Hong Kong

Our operations in Hong Kong are subject to a profits tax rate of 16.5% on estimated assessable profits arising in Hong Kong. For more details, please see note 11 to the Accountant's Report set out in Appendix I to this prospectus. Our effective tax rates for operations in Hong Kong were approximately 14.9%, 15.5%, 18.0%, 16.8% and 23.5% for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively. The effective tax rate for the year ended 31 March 2016 and the six months ended 30 September 2016 was noticeably higher than 16.5% which was primarily due to the non-deductible expenses arising from our listing expenses.

Cayman Islands

We are not subject to Cayman Islands profit tax as we had no assessable income arising in or derived from the Cayman Islands during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, as confirmed by our Directors, we had paid all relevant taxes applicable to us and did not have any dispute or issue with tax authorities which have had a material impact on our business, financial conditions or result of operations.

Net profit and net profit margin

Our Group's net profit was approximately HK\$13.6 million, HK\$22.6 million, HK\$24.3 million, HK\$5.4 million and HK\$9.1 million, respectively, for the three years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, which represented net profit margins of approximately 7.2%, 7.8%, 6.7%, 3.3% and 6.3%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OUR OPERATION

Six months ended 30 September 2016 compared to six months ended 30 September 2015

Revenue

Our overall revenue decreased by approximately HK\$19.1 million, or approximately 11.6%, from approximately HK\$164.2 million for the six months ended 30 September 2015 to approximately HK\$145.1 million for the six months ended 30 September 2016. The decline in our

FINANCIAL INFORMATION

revenue was mainly attributable to contract works undertaken for public customers, for the service category of alteration, addition, fitting-out works and building services with our Group acting as subcontractors for these projects.

(I) *Building construction services*

Our revenue rendered from building construction services increased by approximately HK\$14.2 million, or approximately 16.7%, from approximately HK\$84.8 million for the six months ended 30 September 2015 to approximately HK\$99.0 million for the six months ended 30 September 2016. Notwithstanding the completion during the six months ended 30 September 2016 of one of our major contracts belonging to this service category, namely project A1 — Superstructure works of a new columbarium building at a cemetery in Chai Wan, with considerably reduced revenue contribution therefrom, our Group derived during the period concerned additional contract revenue of approximately HK\$49.1 million, as compared with the preceding comparative period, from another major contract which ranks amongst the foremost in terms of revenue contribution, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, as and when this contract progressed towards an intermediate stage of the contract works during the period concerned with considerably higher volume of contract works performed. Other contacts belonging to this service category with material revenue contribution during the period concerned included project A4 — Design and build for a storage in Yuen Long, which contributed additional contract revenue of approximately HK\$14.6 million during the period concerned, as compared with the preceding comparative period. Owing principally to revenue contribution from these major contracts, there was an overall growth in our Group's contract revenue for building construction services during the six months ended 30 September 2016.

(II) *Alteration, addition, fitting-out works and building services*

Our revenue generated from alteration, addition, fitting-out works and building services decreased by approximately HK\$27.3 million, or approximately 43.1%, from approximately HK\$63.4 million for the six months ended 30 September 2015 to approximately HK\$36.1 million for the six months ended 30 September 2016. The growth in our Group's revenue was realised mainly through the service category of building construction services and as we dedicated more resources to the development of this segment, there was a decline in our revenue from the service category of alteration, addition, fitting-out works and building services. In addition, during the preceding comparative period of the six months ended 30 September 2015, we completed a major project belonging to this service category which ranks amongst the foremost in terms of revenue contribution project, namely project B3 — Renovation works for a student hall of a university at Pok Fu Lam, and derived approximately HK\$25.0 million worth of contract revenue in respect of this single contract for the period concerned, as compared with the preceding comparative period. In addition, the contract works involved with another of our major project belonging to this service category, namely project B2 — Renovation work, alternation and addition works to a shopping centre in Causeway Bay were substantially completed during the preceding comparative period, with our Group

FINANCIAL INFORMATION

deriving approximately HK\$8.7 million less of revenue therefrom during the period concerned. Notwithstanding that we commenced certain new contracts of alteration, addition, fitting-out works and building services during the six months ended 30 September 2016, including project B28 — Plumbing and drainage installation works; and project B36 — Fitting out works to lift lobby and atrium for a commercial development in Shek Mun, and derived revenue for the first time therefrom, the scope of contract works involved with these new contracts were generally lessened in scale as compared to the aforementioned competed contracts. Accordingly, there was an overall reduction on our Group's contract revenue recorded for this segment during the six months ended 30 September 2016.

(III) Repair and restoration of historic building

Our revenue rendered from repair and restoration of historic building segment decreased by approximately HK\$6.0 million, or approximately 37.5%, from approximately HK\$16.0 million for the six months ended 30 September 2015 to approximately HK\$10.0 million for the six months ended 30 September 2016. The major contracts contributing to revenue for this service category included project C1 — Revitalisation and conservation for a cluster of house in Wan Chai, which was still in progress at as the Latest Practicable Date and accounted for approximately HK\$6.6 million, or approximately 65.7%, of contract revenue attributable to this segment for the six months ended 30 September 2016. The revenue contribution from this single major contract with highest revenue contribution was nevertheless outpaced by reduced revenue totalled approximately HK\$5.6 million derived from certain of our other major contracts belonging to this service category, namely project C2 — Relocation for a Government office in Central; and project C3 — Improvement works for a church in Central, as the contract works involved with these projects were substantially completed in the prior year. In addition, notwithstanding that we commenced during the period concerned a new contract belonging to this service category, namely project C6 — Conservation works for the revitalisation at a former magistracy in Fanling, the contract works involved was still in a relatively early stage and the revenue contribution therefrom was not sufficient to offset the reduced revenue due to the foregoing completed contracts, resulting an overall decline in contract revenue for this segment during the six months ended 30 September 2016.

Cost of sales

Our overall cost of sales decreased by approximately HK\$32.4 million, or approximately 21.9%, from approximately HK\$147.8 million for the six months ended 30 September 2015 to approximately HK\$115.4 million for the six months ended 30 September 2016, which is in line with the decline in contract revenue for the period concerned. The magnitude of decline in balance was higher with cost of sales than contract revenue because we were able to derive an overall higher contract profit margin during the period concerned by virtue of the contract mix prevailing during the period concerned, as further explained below. Please refer to the paragraph headed “Principal Components of Results of Operations — Cost of sales” in this section of the prospectus for major components of our overall cost of sales incurred during the Track Record Period.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK\$13.1 million, or approximately 79.4%, from approximately HK\$16.5 million for the six months ended 30 September 2015 to approximately HK\$29.6 million for the six months ended 30 September 2016, which was significantly higher than the growth in revenue for the year concerned of approximately 11.6%, and was mainly attributable to the service category of building construction services. The corresponding gross profit margin increased by approximately 10.4 percentage points, from approximately 10.0% for the six months ended 30 September 2015 to approximately 20.4% for the six months ended 30 September 2016.

(I) Building construction services

Our gross profit margin for building construction services was approximately 23.6% for the six months ended 30 September 2016, as compared to approximately 7.1% for the six months ended 30 September 2015. The decidedly higher gross profit margin for the later period was mainly because, for the comparative period of the six months ended 30 September 2015, a lower than average contract gross profit margin was realised for certain contracts, including notably project A1 — Superstructure works of a new columbarium building at a cemetery in Chai Wan, which was amongst our largest contracts in terms of contract revenue. As revenue contributed by this contract accounted for a considerable proportion of our Group's overall contract revenue for the preceding comparative period, the overall contract profit recorded in respect of this contract category for the preceding comparative period was thereby affected. In comparison, for the six months ended 30 September 2016, we derived a significant worth of contract revenue, more than HK\$51 million, from other major contracts belonging to this contract category, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, as this contract progressed towards the intermediate stage of contract performances during the six months ended 30 September 2016 with increased value of contract works performed. Since this later major contract at the same time attributed a relatively higher contract margin partially due to mitigated pressure from competing bidding contractors at the contract tendering stage by virtue of the relatively remote site location, and also as we carried out a higher proportion of contract works by ourselves instead of employing subcontractors for this particular contract, the corresponding effect is more pronounced and contributed to notable rebound in our Group's gross profit margin for the period concerned.

(II) Alteration, addition, fitting-out works and building services

Our gross profit margin for alteration, addition, fitting-out works and building services was approximately 13.9% for the six months ended 30 September 2016, as compared to approximately 13.2% for the six months ended 30 September 2015. We consider the gross profit margin for building construction services for the two periods to be comparable.

FINANCIAL INFORMATION

(III) Repair and restoration of historic building

Our gross profit margin for repair and restoration of historic buildings was approximately 12.6% for the six months ended 30 September 2016, as compared to approximately 13.0% for the six months ended 30 September 2015. The marginal decrease in gross profit margin for the six months ended 30 September 2016 was mainly because of the increase in proportion of revenue contribution from a major contract belonging to the service category, namely project C1 — Revitalisation and conservation for a cluster of house in Wan Chai, which at the same time had a lower than average contract gross profit margin. As and when our overall contract works and correspondingly contract revenue from other contracts belonging to the service category of repair and restoration of historic building was reduced during the six months ended 30 September 2016, the increase in proportion of revenue contribution being accounted for by this single major contract of project C1 has resulted in correspondingly lower overall gross profit margin realised for this service category.

Other income

Our other income increased by approximately HK\$0.3 million, or approximately 150.0%, from approximately HK\$0.2 million for the six months ended 30 September 2015 to approximately HK\$0.5 million for the six months ended 30 September 2016, and was wholly attributable to the increase in sundry income. The magnitude of the increase in amount is not material to our Group's operation despite prominent percentage increment.

Other gains/(losses)

Our Group recorded other net gain of approximately HK\$0.8 million for the six months ended 30 September 2016, as compared with other net loss of approximately HK\$0.5 million for the six months ended 30 September 2015. Other net gain recorded for the period concerned principally comprises fair value gains on financial assets at fair value through profit or loss, and was arisen out of a higher valuation realised as to the underlying fair value of the financial assets at fair value through profit or loss for the period concerned.

Other components of our Group's other net gains/(losses) for the six months ended 30 September 2016 comprised fair value losses of approximately HK\$0.1 million in respect of non-current assets held for distribution, as the subject financial assets was reclassified as non-current assets held for distribution from 15 September 2016 onwards up to its pending distribution.

Administrative expenses

Our Group's administrative expenses increased by approximately HK\$9.2 million, or approximately 104.5%, from approximately HK\$8.8 million for the six months ended 30 September 2015 to approximately HK\$18.0 million for the six months ended 30 September 2016. The higher administrative expenses for the six months ended 30 September 2016 was mainly attributable to the increase in (i) employee benefit expenses by approximately HK\$1.3 million, as we increase our

FINANCIAL INFORMATION

administrative headcount, (ii) entertainment expenses, motor vehicle expenses and other expenses by approximately HK\$2.0 million, as our volume of business expanded; and (iii) non-recurrent listing expenses of approximately HK\$4.9 million.

Finance income

Our Group recorded an increase in finance income of approximately HK\$11,000, or approximately 55.0%, from approximately HK\$20,000 for the six months ended 30 September 2015 to approximately HK\$31,000 for the six months ended 30 September 2016, which was due to the increase in bank interest income.

Finance costs

Our Group's finance cost increased by approximately HK\$0.2 million, or approximately 22.2%, from approximately HK\$0.9 million for the six months ended 30 September 2015 to approximately HK\$1.1 million for the six months ended 30 September 2016, which was mainly attributable to the increase in interest expenses on bank borrowings as our Group increased utilization of bank lines for financing its projects, including notably those in relation to factoring of contract employer payment for a major contract, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, which ranks amongst the foremost in terms of revenue contribution, as this contract progressed towards an intermediate stage of the contract works during the period concerned with considerably higher volume of contract works performed.

Income tax expenses

The income tax expenses increased by approximately HK\$1.7 million, or approximately 154.5%, from approximately HK\$1.1 million for the six months ended 30 September 2015 to approximately HK\$2.8 million for the six months ended 30 September 2016. The rate of increase in income tax expenses was higher than our period-to-period percentage growth in profit before income tax of approximately 84.4% due to the higher effective tax rate realised for the six months ended 30 September 2016, as explained below.

Effective tax rate

Our Group's effective tax rate increased by approximately 6.7 percentage points from approximately 16.8% for the six months ended 30 September 2015 to approximately 23.5% for the six months ended 30 September 2016. The increase in effective tax rate was due to the overall increase in expenses not deductible for tax purposes, principally non-deductible tax items in relation to our listing expenses. As our Group incurred listing expenses of approximately HK\$4.9 million for the six months ended 30 September 2016, which is highest amongst all years and periods comprising the Track Record Period, the corresponding impact on our Group's effective tax rate was relatively more pronounced.

FINANCIAL INFORMATION

Net profit and net profit margin

Our Group's net profit increased by approximately HK\$3.7 million, or approximately 68.5%, from approximately HK\$5.4 million for the six months ended 30 September 2015 to approximately HK\$9.1 million for the six months ended 30 September 2016. The corresponding net profit margin increased by approximately 3.0 percentage points, from approximately 3.3% for the six months ended 30 September 2015 to approximately 6.3% for the six months ended 30 September 2016. The increase was mainly due to the increase in our gross profit margin by 10.4 percentage points in the six months ended 30 September 2016, as compared to the preceding comparative period, netted of the effect of the above discussed increase in our Group's administrative expenses, including notably the incurrence of listing expenses of approximately HK\$4.9 million during the six months ended 30 September 2016.

Year ended 31 March 2016 compared to year ended 31 March 2015

Revenue

Our overall revenue increased by approximately HK\$71.5 million, or approximately 24.7%, from approximately HK\$289.9 million for the year ended 31 March 2015 to approximately HK\$361.4 million for the year ended 31 March 2016. The growth in our revenue was mainly attributable to contract works undertaken for private customers, for the service category of building construction services with our Group acting as subcontractors for these projects.

(I) Building construction services

Our revenue rendered from building construction services significantly increased by approximately HK\$122.3 million, or approximately 137.9%, from approximately HK\$88.7 million for the year ended 31 March 2015 to approximately HK\$211.0 million for the year ended 31 March 2016. The increase was mainly because we derived increased revenue of HK\$67.4 million, as compared with the preceding year of HK\$25.1 million, from one of our major contracts, namely project A1 — Superstructure works of a new columbarium building at a cemetery in Chai Wan, which was commenced in the preceding year and continued into the year ended 31 March 2016, with the bulk of the contract works performed in the year concerned. In addition, during the year ended 31 March 2016, our Group commenced the major project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works and derived revenue of approximately HK\$82.7 million therefrom for the year concerned.

(II) Alteration, addition, fitting-out works and building services

Our revenue generated from alteration, addition, fitting-out works and building services decreased by approximately HK\$47.5 million, or approximately 28.3%, from approximately HK\$168.0 million for the year ended 31 March 2015 to approximately HK\$120.5 million for the year ended 31 March 2016. The growth in our Group's revenue was realised mainly through the service category of building construction services and as we dedicated more resources to the development of this segment, there was a decline in our revenue from the service category of

FINANCIAL INFORMATION

alteration, addition, fitting-out works and building services. In addition, notwithstanding we commenced certain new contracts of alteration, addition, fitting-out works and building services during the year ended 31 March 2016, certain of our major projects belonging to this segment, namely (i) project B1 — Alternation and addition works for hotel development project in Tsim Sha Tsui; (ii) project B2 — Renovation work, alternation and addition works to a shopping centre in Causeway Bay; and (iii) project B4 — Renovation of a family service centre in Tseung Kwan O, were either completed or progressed towards the later part of the contract works in the year concerned, with our Group deriving HK\$39.6 million less of revenue from these major contracts.

(III) Repair and restoration of historic building

Our revenue rendered from repair and restoration of historic building segment slightly decreased by approximately HK\$3.3 million, or approximately 9.9%, from approximately HK\$33.2 million for the year ended 31 March 2015 to approximately HK\$29.9 million for the year ended 31 March 2016. Notwithstanding that we commenced another new major contract, namely project C3 — Improvement works for church in Central, and recorded revenue of approximately HK\$5.2 million in the year concerned, the additional revenue from this new major contract was outpaced by reduced revenue totalled HK\$6.3 million derived from certain of our major contracts, namely (i) project C2 — Relocation for a Government office in Central; and (ii) project C4 — Design and build works for a church in Ma On Shan, as these projects progressed towards the later part of the contract works in the year ended 31 March 2016, with value of contract works performed being less than prior year. In addition, one of the major contracts still in progress, namely project C1 — Revitalisation and conservation for a cluster of house in Wan Chai, was progressing into a phase with value of contract performances being less than the preceding year and contributed approximately HK\$3.3 million less of revenue during the year concerned.

Cost of sales

Our overall cost of sales increased by approximately HK\$61.4 million, or approximately 25.0%, from approximately HK\$245.7 million for the year ended 31 March 2015 to approximately HK\$307.1 million for the year ended 31 March 2016, which is in line with the revenue growth for the period. Please refer to the paragraph headed “Principal Components of Results of Operations — Cost of sales” in this section of the prospectus for major components of our overall cost of sales incurred during the Track Record Period.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK\$10.1 million, or approximately 22.9%, from approximately HK\$44.2 million for the year ended 31 March 2015 to approximately HK\$54.3 million for the year ended 31 March 2016, which was comparable to the growth in revenue for the year concerned of approximately 24.7%.

The corresponding gross profit margin slightly decreased by approximately 0.2 percentage point, from approximately 15.2% for the year ended 31 March 2015 to approximately 15.0% for the year ended 31 March 2016.

FINANCIAL INFORMATION

(I) *Building construction services*

Our gross profit margin for building construction services was approximately 14.9% for the year ended 31 March 2016, as compared to approximately 14.6% for the year ended 31 March 2015. We consider the gross profit margin for building construction services for the two years to be comparable.

(II) *Alteration, addition, fitting-out works and building services*

Our gross profit margin for alteration, addition, fitting-out works and building services was approximately 15.9% for the year ended 31 March 2016, as compared to approximately 16.1% for the year ended 31 March 2015. We consider the gross profit margin for alteration, addition, fitting-out works and building services for the two years to be comparable.

(III) *Repair and restoration of historic building*

Our gross profit margin for repair and restoration of historic buildings was approximately 12.2% for the year ended 31 March 2016, as compared to approximately 12.7% for the year ended 31 March 2015. The marginal decrease in gross profit margin for the year ended 31 March 2016 was because one of the major contract belonging to this service category commenced during the year concerned, namely project C3 — Improvement works for a church in Central, has a lower than average contract gross profit margin.

Other income

Our Group's other income comprised rental income and sundry income. Our Group's other income for the year ended 31 March 2016 amounted to approximately HK\$0.41 million, which is comparable to other income of approximately HK\$0.43 million for the year ended 31 March 2015.

Other gains/(losses)

Our Group recorded other net loss of approximately HK\$0.01 million for the year ended 31 March 2016, as compared with other net gain of approximately HK\$1.3 million for the year ended 31 March 2015. Other net gain principally comprises fair value gains/(losses) on financial assets at fair value through profit or loss, and the decrease in balance was primarily due to a lower valuation realised as to the underlying fair value of the financial assets at fair value through profit or loss for the year concerned.

Other components of our Group's other net gain for the years ended 31 March 2015 and 2016 included gain on disposal of property, plant and equipment in the amount of approximately HK\$42,000 and nil, respectively.

FINANCIAL INFORMATION

Administrative expenses

Our Group's administrative expenses increased by approximately HK\$6.1 million, or approximately 35.7%, from approximately HK\$17.1 million for the year ended 31 March 2015 to approximately HK\$23.2 million for the year ended 31 March 2016. The higher administrative expenses for the year ended 31 March 2016 was mainly attributable to the increase in (i) employee benefit expenses by approximately HK\$0.8 million, as we increased our administrative headcount, (ii) depreciation by approximately HK\$1.1 million, as we made additions of property, plant and equipment of approximately HK\$7.4 million during the two years ended 31 March 2016; (iii) entertainment and motor vehicle expenses by approximately HK\$1.3 million, as our business volume expanded; and (iv) non-recurring listing expenses of approximately HK\$3.0 million.

Finance income

Our Group recorded an increase in finance income of approximately HK\$13,000, or approximately 27.7%, from approximately HK\$47,000 for the year ended 31 March 2015 to approximately HK\$60,000 for the year ended 31 March 2016, which was mainly due to the increase in bank interest income.

Finance costs

Our Group's finance cost decreased by approximately HK\$0.3 million, or approximately 14.3%, from approximately HK\$2.1 million for the year ended 31 March 2015 to approximately HK\$1.8 million for the year ended 31 March 2016, which was mainly attributable to (i) the incurrence of foreign exchange loss of approximately HK\$0.2 million for the year ended 31 March 2015 while we realised a net exchange gain for the year ended 31 March 2016; and (ii) the decrease in interest expenses on borrowings in the amount of approximately HK\$0.1 million.

Income tax expenses

The income tax expenses increased by approximately HK\$1.1 million, or approximately 26.2%, from approximately HK\$4.2 million for the year ended 31 March 2015 to approximately HK\$5.3 million for the year ended 31 March 2016. The rate of increase in income tax expenses was higher than our year-to-year percentage growth in profit before income tax of approximately 10.8%, due to the higher effective tax rate realised for the year ended 31 March 2015, as explained below.

Effective tax rate

Our Group's effective tax rate increased by approximately 2.5 percentage points from approximately 15.5% for the year ended 31 March 2015 to approximately 18.0% for the year ended 31 March 2016. The increase on the effective tax rate was due to the overall increase in expenses not deductible for tax purposes, as there are differences between depreciation expense for accounting purpose and depreciation allowance for tax purposes in respect of the approximately HK\$3.5 million additions to property, plant and equipment during the year ended 31 March 2016; and also non-deductible tax items in relation to our listing expenses.

FINANCIAL INFORMATION

Net profit and net profit margin

Our Group's net profit increased by approximately HK\$1.7 million, or approximately 7.5%, from approximately HK\$22.6 million for the year ended 31 March 2015 to approximately HK\$24.3 million for the year ended 31 March 2016.

The corresponding net profit margin decreased by approximately 1.1 percentage points, from approximately 7.8% for the year ended 31 March 2015 to approximately 6.7% for the year ended 31 March 2016. The decrease was mainly due to (i) the decrease in our gross profit margin by 0.2 percentage point in the year ended 31 March 2016, as compared to the preceding year; and (ii) the incurrence of listing expenses of approximately HK\$3.0 million during the year ended 31 March 2016.

Year ended 31 March 2015 compared to year ended 31 March 2014

Revenue

Our overall revenue increased by approximately HK\$102.1 million, or approximately 54.4%, from approximately HK\$187.8 million for the year ended 31 March 2014 to approximately HK\$289.9 million for the year ended 31 March 2015. The growth in our revenue was mainly attributable to contract works undertaken for private customers, for the service category of alteration, addition, fitting-out works and building construction services with our Group acting as subcontractors for these projects, while our revenue from other contract categories also increased during the same year.

(I) Building construction services

Our revenue rendered from building construction services increased by approximately HK\$18.5 million, or approximately 26.4%, from approximately HK\$70.2 million for the year ended 31 March 2014 to approximately HK\$88.7 million for the year ended 31 March 2015. The increase was mainly because we commenced a new major contract, namely project A1 — Superstructure works of a new columbarium building at a cemetery in Chai Wan, during the year concerned and derived revenue of approximately HK\$25.1 million from contract work performances for this major contract.

(II) Alteration, addition, fitting-out works and building services

Our revenue generated from alteration, addition, fitting-out works and building services significantly increased by approximately HK\$60.0 million, or approximately 55.6%, from approximately HK\$108.0 million for the year ended 31 March 2014 to approximately HK\$168.0 million for the year ended 31 March 2015. During the year ended 31 March 2015, we commenced a new major alteration, addition, fitting-out works and building services contract, namely project B2 — Renovation work, alternation and addition works to a shopping centre in Causeway Bay, and derived revenue of approximately HK\$24.6 million therefrom for the year concerned. In addition, another major contract belonging to this segment that was commenced in the preceding year in

FINANCIAL INFORMATION

October 2013, namely project B4 — Renovation of a family service centre in Tseung Kwan O, has progressed to an advanced stage during the year ended 31 March 2015 and derived additional contract revenue of approximately HK\$12.1 million for the year concerned, as compared with the preceding year. Besides contribution from these major contracts, there was also a general increase in the number of contracts belonging to this segment performed during the year.

(III) Repair and restoration of historic building

Our revenue rendered from repair and restoration of historic building segment increased by approximately HK\$23.7 million, or approximately 249.5%, from approximately HK\$9.5 million for the year ended 31 March 2014 to approximately HK\$33.2 million for the year ended 31 March 2015. During the year ended 31 March 2015, two of our major contracts commenced in the preceding year, namely (i) project C1 — Revitalisation and conservation for a cluster of house in Wan Chai; and (ii) project C2 — Relocation for a Government office in Central, progressed towards the intermediate stage of contract performance with increased value of contract works performed, which together derived contract revenue of approximately HK\$22.7 million for the year concerned, as compared with contract revenue of approximately HK\$6.8 million for the preceding year. In addition, we commenced another major contract, namely project C4 — Design and build works for a church in Ma On Shan, during the year ended 31 March 2015 and derived contract revenue of approximately HK\$3.8 million therefrom for the year concerned.

Cost of sales

Our overall cost of sales increased by approximately HK\$85.0 million, or approximately 52.9%, from approximately HK\$160.7 million for the year ended 31 March 2014 to approximately HK\$245.7 million for the year ended 31 March 2015, which is in line with the revenue growth for the period. Please refer to the paragraph headed “Principal Components of Results of Operations — Cost of sales” in this section of the prospectus for major components of our overall cost of sales incurred during the Track Record Period.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK\$17.1 million, or approximately 63.1%, from approximately HK\$27.1 million for the year ended 31 March 2014 to approximately HK\$44.2 million for the year ended 31 March 2015, which was slightly higher than the growth in revenue for the same year of approximately 54.3%, due to the higher gross profit margin realised for the year concerned.

FINANCIAL INFORMATION

The corresponding gross profit margin slightly increased by approximately 0.7 percentage point, from approximately 14.5% for the year ended 31 March 2014 to approximately 15.2% for the year ended 31 March 2015.

(I) *Building construction services*

Our gross profit margin for building construction services was approximately 14.6% for the year ended 31 March 2015, as compared to approximately 14.4% for the year ended 31 March 2014. We consider the gross profit margin for building construction services for the two years to be comparable.

(II) *Alteration, addition, fitting-out works and building services*

Our gross profit margin for alteration, addition, fitting-out works and building services was approximately 16.1% for the year ended 31 March 2015, as compared to approximately 14.8% for the year ended 31 March 2014. For the year ended 31 March 2014, a relatively material proportion of our contract gross profit for this segment was derived from a major contract, namely project B1 — Alternation and addition works for hotel development project in Tsim Sha Tsui, that has a lower than average gross profit margin. Accordingly, as the number of contracts performed for this segment increased during the year ended 31 March 2015, the dilution of contract revenue attributable to project B1 correspondingly increased our overall contract profit margin for this segment.

(III) *Repair and restoration of historic building*

Our gross profit margin for repair and restoration of historic buildings was approximately 12.7% for the year ended 31 March 2015, as compared to approximately 10.7% for the year ended 31 March 2014. During the year ended 31 March 2014, we commenced a major contract, namely project C2 — Revitalisation and conservation for a cluster of house in Wan Chai, which attributed a higher than average contract gross profit margin. As contract status progressed to an intermediate stage during the year ended 31 March 2015, increasing revenue and profit contribution was made from this project and improved our overall gross profit margin.

Other income

Our other income increased by approximately HK\$0.1 million, or approximately 33.3%, from approximately HK\$0.3 million for the year ended 31 March 2014 to approximately HK\$0.4 million for the year ended 31 March 2015. The increase was mainly attributable to the increase in (i) sundry income of approximately HK\$44,000; and (ii) rental income of approximately HK\$95,000.

FINANCIAL INFORMATION

Other gains/(losses), net

Our Group recorded other net gain of approximately HK\$1.3 million for the year ended 31 March 2015, as compared with the same of approximately HK\$1.4 million for the year ended 31 March 2014. Other net gain principally comprises fair value gains/(losses) on financial assets at fair value through profit or loss, and the decrease in balance was primarily due to a lower valuation realised as to the underlying fair value of the financial assets at fair value through profit or loss for the year concerned.

Other components of our Group's other net gains/(losses) included losses of approximately HK\$83,000 for the year ended 31 March 2014 and gains of approximately HK\$42,000 for the year ended 31 March 2015, out of the disposal of property, plant and equipment.

Administrative expenses

Our Group's administrative expenses increased by approximately HK\$5.4 million, or approximately 46.2%, from approximately HK\$11.7 million for the year ended 31 March 2014 to approximately HK\$17.1 million for the year ended 31 March 2015. The increase was mainly due to the (i) increases in employee benefit expenses of approximately HK\$3.6 million, as we increased our Group's administrative headcount; and (ii) increase in other administrative expenses of approximately HK\$1.8 million which was in line with the expansion of our business operation.

Finance income

Our Group recorded an increase in finance income of approximately HK\$41,000, or approximately 683.3%, from approximately HK\$6,000 for the year ended 31 March 2014 to approximately HK\$47,000 for the year ended 31 March 2015, which was due to the increase in bank interest income.

Finance costs

Our Group's finance costs increased by approximately HK\$0.9 million, or approximately 75.0%, from approximately HK\$1.2 million for the year ended 31 March 2014 to approximately HK\$2.1 million for the year ended 31 March 2015. It was mainly attributable to the increase in interest expenses on borrowings of approximately HK\$0.8 million, as our Group's interest-bearing borrowings and obligations under finance leases increased by approximately HK\$12.0 million, from approximately HK\$20.2 million as at 31 March 2014 to approximately HK\$32.2 million as at 31 March 2015.

FINANCIAL INFORMATION

Income tax expenses

The income tax expenses increased by approximately HK\$1.8 million, or approximately 75.0%, from approximately HK\$2.4 million for the year ended 31 March 2014 to approximately HK\$4.2 million for the year ended 31 March 2015, which was in line with our year-to-year growth in profit before income tax of approximately 67.7%. The rate of increase on income tax expenses was higher than that of gross profit amount due to the higher effective tax rate realised for the year ended 31 March 2015, as explained below.

Effective tax rate

Our Group's effective tax rate increased by approximately 0.6 percentage point from approximately 14.9% for the year ended 31 March 2014 to approximately 15.5% for the year ended 31 March 2015. The increase on the effective tax rate was due to the overall increase in expenses not deductible for tax purposes, as there are differences between depreciation expense for accounting purpose and depreciation allowance for tax purposes in respect of the approximately HK\$3.9 million additions to property, plant and equipment during the year ended 31 March 2015.

Net profit and net profit margin

Our Group's net profit increased by approximately HK\$9.0 million, or approximately 66.2%, from approximately HK\$13.6 million for the year ended 31 March 2014 to approximately HK\$22.6 million for the year ended 31 March 2015.

The corresponding net profit margin increased by approximately 0.6 percentage point, from approximately 7.2% for the year ended 31 March 2014 to approximately 7.8% for the year ended 31 March 2015. The increase was mainly due to the increase in our Group's overall gross profit margin by approximately 0.7 percentage point during the year concerned, which was mainly attributable to the contract categories of alteration, addition, fitting-out works and building services; and, to a lesser extent, repair and restoration of historical buildings, as previously explained.

FINANCIAL INFORMATION

NET CURRENT ASSETS

Our Group recorded net current assets of approximately HK\$0.1 million, HK\$17.6 million and HK\$35.2 million, HK\$38.4 million and HK\$40.6 million, respectively, as at 31 March 2014, 2015 and 2016, 30 September 2016 and 31 January 2017. The following table sets forth the breakdown of our Group's current assets and liabilities as at the dates indicated:

	31 March			30 September	31 January
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>
Current assets					
Trade, retention and other receivables, deposits and prepayments	44,526	62,049	65,666	55,798	70,111
Amounts due from customers for contract works	20,530	38,458	50,619	90,189	82,445
Amounts due from related companies	2,016	3,552	3,541	4,421	4,128
Amounts due from shareholders	665	12,786	10,123	—	—
Current income tax recoverable	720	2,622	4,442	2,180	3,123
Pledged deposits	500	500	500	500	5,000
Cash and cash equivalents (excluding bank overdrafts)	6,853	5,966	11,544	5,424	3,341
	<u>75,810</u>	<u>125,933</u>	<u>146,435</u>	<u>158,512</u>	<u>168,148</u>
Non-current assets held for distribution	—	—	—	11,440	—
	<u>75,810</u>	<u>125,933</u>	<u>146,435</u>	<u>169,952</u>	<u>168,148</u>
Current liabilities					
Trade and other payables and accruals	38,961	56,245	62,245	72,862	69,875
Amounts due to customers for contract work	15,388	16,225	10,663	14,081	9,153
Amounts due to related companies	829	2,336	1,488	2,026	—
Amounts due to shareholders	191	—	—	353	861
Dividend payable	—	—	—	5,776	—
Current income tax payables	593	2,475	154	15	1,189
Borrowings	19,531	30,217	35,531	29,488	45,573
Current portion of obligations under finance leases	207	793	1,136	1,145	932
	<u>75,700</u>	<u>108,291</u>	<u>111,217</u>	<u>125,746</u>	<u>127,583</u>
Liabilities held for distribution	—	—	—	5,779	—
	<u>75,700</u>	<u>108,291</u>	<u>111,217</u>	<u>131,525</u>	<u>127,583</u>
Net current assets	<u>110</u>	<u>17,642</u>	<u>35,218</u>	<u>38,427</u>	<u>40,565</u>

FINANCIAL INFORMATION

As at 31 January 2017, we had net current assets of approximately HK\$40.6 million. The key components of our current assets as at 31 January 2017 included amounts due from customers for contract works of approximately HK\$82.4 million, trade, retention and other receivables, deposits and prepayments of approximately HK\$70.1 million, pledged deposits of approximately HK\$5.0 million and cash and cash equivalents of approximately HK\$3.3 million. The key components of our current liabilities included amounts due to customers for contract work of approximately HK\$ 9.2 million, trade and other payables and accruals of approximately HK\$69.9 million, and borrowings (including principally bank borrowings and overdrafts) of approximately HK\$45.6 million.

Our net current assets increased by approximately HK\$2.2 million or approximately 5.7% from approximately HK\$38.4 million as at 30 September 2016 to approximately HK\$40.6 million as at 31 January 2017 was primarily driven by (i) an increase in trade, retention and other receivables, deposits and prepayments of approximately HK\$14.3 million; (ii) an increase in pledged deposits of approximately HK\$4.5 million; (iii) an increase in current income tax recoverable of approximately HK\$0.9 million; (iv) a decrease in amounts due to customers for contract works of approximately HK\$4.9 million; (v) a decrease in trade and other payable and accruals of approximately HK\$3.0 million; offset by (vi) a decrease in amounts due from customers for contract works of approximately HK\$7.8 million; (vii) an increase in borrowings of approximately HK\$16.1 million; (viii) a decrease in cash and cash equivalent of approximately HK\$2.1 million; and (ix) an increase in amounts due to a shareholder of approximately HK\$0.5 million.

As at 30 September 2016, we had net current assets of approximately HK\$38.4 million. The key components of our current assets as at 30 September 2016 included (i) amounts due from customers for contract works of approximately HK\$90.2 million; (ii) trade, retention and other receivables, deposits and prepayments of approximately HK\$55.8 million; and (iii) cash and cash equivalents of approximately HK\$5.4 million. In addition, we also had non-current assets held for distribution of approximately HK\$11.4 million as at 30 September 2016. The key components of our current liabilities included (i) amounts due to customers for contract work of approximately HK\$14.1 million; (ii) trade and other payables and accruals of approximately HK\$72.9 million; and (iii) borrowings (including principally bank borrowings and overdrafts) of approximately HK\$29.5 million. In addition, we also had liabilities held for distribution of approximately HK\$5.8 million as at 30 September 2016.

Our net current assets increased by approximately HK\$3.2 million or approximately 9.1% from approximately HK\$35.2 million as at 31 March 2016 to approximately HK\$38.4 million as at 30 September 2016 was primarily driven by (i) an increase in trade and other payable and accruals of approximately HK\$10.6 million; (ii) an increase in amounts due to customers for contract works of approximately HK\$3.4 million; (iii) an increase in dividend payable of approximately HK\$5.8 million; (iv) a decrease of amounts due from shareholders of approximately HK\$10.1 million as a result of the declaration of dividends, which were dealt with principally by way of setting off against amounts due from shareholders in lieu of cash payment; (v) a decrease in cash and cash equivalents of approximately HK\$6.1 million; (vi) a decrease in trade, retention and other

FINANCIAL INFORMATION

receivables, deposits and prepayments of approximately HK\$9.9 million; (vii) an increase in non-current assets held for distribution of approximately HK\$11.4 million; offset by (viii) an increase in amounts due from customers for contract works of approximately HK\$39.6 million; (ix) a decrease in current income tax recoverable of approximately HK\$2.3 million; (x) the decrease in borrowings of approximately HK\$6.0 million; and (xi) an increase in liabilities held for distribution of approximately HK\$5.8 million.

Our net current assets increased by approximately HK\$17.6 million or approximately 100.0% from approximately HK\$17.6 million as at 31 March 2015 to approximately HK\$35.2 million as at 31 March 2016 was primarily driven by (i) an increase in amounts due from customers for contract works of approximately HK\$12.1 million; (ii) a decrease in amounts due to customers for contract works of approximately HK\$5.5 million; (iii) an increase in cash and cash equivalents of approximately HK\$5.5 million; partially offset by (iv) an increase in trade and other payable and accruals of approximately HK\$6.0 million; and (v) an increase in borrowings of approximately HK\$5.3 million.

Our net current assets increased by approximately HK\$17.5 million from approximately HK\$0.1 million as at 31 March 2014 to approximately HK\$17.6 million as at 31 March 2015 was primarily driven by (i) an increase in trade, retention and other receivables, deposits and prepayments of approximately HK\$17.5 million; (ii) an increase in amounts due from customers for contract works of approximately HK\$17.9 million; (iii) an increase in amounts due from shareholders of approximately HK\$12.1 million; partially offset by (iv) an increase in trade and other payable and accruals of approximately HK\$17.2 million; and (v) an increase in borrowings of approximately HK\$10.7 million.

The increase in the aggregate amount of our (i) trade, retention and other receivables, deposits and prepayments; and (ii) amounts due from customers for contract works during the Track Record Period was driven by the increase in volume of construction activities due to our aforementioned business expansion. The increase in cash and cash equivalents was mainly driven by cash flows from our profitable operation.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including the existing available banking facilities and other internal resources, and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

We strive to effectively manage our cash flow and capital commitments and to ensure that it has sufficient funds to meet its existing and future cash requirements. In addition to cash generated from our operations, we also seek bank borrowings to fund our working capital cash requirement. We have maintained long-term relationships with various commercial banks in Hong Kong and it is believed that our Group's existing banking facilities will be accepted for renewal upon their maturity, if necessary. The Directors confirm that we have neither encountered major difficulties in

FINANCIAL INFORMATION

securing and/or renewing bank borrowings, nor being charged an exceptionally high interest rate on the bank borrowings. In addition, the bank-credit facilities currently available to our Group would not be tightened nor cancelled as a result of unfavourable financial results of our Group, in accordance with terms and conditions of the relevant banking facility agreements.

We expect to finance our operations through a combination of operating cash inflows, draw down of banking facilities available to our Group and proceeds from the Share Offer.

ANALYSIS OF SELECTED COMBINED BALANCE SHEET ITEMS

Amounts due from/to customers for contract work

The following table sets forth the amounts due from/to customers for contract works as at the dates indicated:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract costs incurred plus recognised profits less recognised losses	379,115	552,680	707,136	884,450
Less: progress billings	(373,973)	(530,447)	(667,180)	(808,342)
Balance at end of year	5,142	22,233	39,956	76,108
Analysed for reporting purposes as:				
Amounts due from customers for contract works	20,530	38,458	50,619	90,189
Amounts due to customers for contract works	(15,388)	(16,225)	(10,663)	(14,081)
	5,142	22,233	39,956	76,108

Our Group normally submits payment applications to our customers on a monthly basis in accordance with the value of work which may include variation works and claims, if any, undertaken for the construction works. Amounts due from customers for contract work represent construction contracts in progress at the end of a reporting period and are recorded at the net amount of contract costs incurred plus recognised profit less recognised losses less progress billings. Such balance sheet item typically comprises (i) value of contract works performed in respect of ongoing construction works close to the end of each reporting period, for which the payment certificates have yet to be received from our customers; (ii) variation orders or claims payment applications for ongoing construction works close to the end of each reporting period, for

FINANCIAL INFORMATION

which the payment certificates have yet to be received from our customers; and (iii) the differences between the costs incurred and the costs recognised in profit or loss with reference to the stage of completion of the projects at the end of each reporting period.

Direct construction materials and consumables are ordered by us and delivered by our suppliers to the construction sites directly from time to time to meet the estimated demand according to specific work schedules. Under the normal circumstances, due to the limited space available for inventory storage on-site, we generally do not keep excess inventory. Our Directors are of the view that the amounts of construction materials remained at the construction sites at the end of each reporting period were insignificant to our Group. As such, the costs of construction materials and consumables are treated as trade payables upon receipts of construction materials and consumables and the same amounts will be recognised as contract cost incurred simultaneously. However, contract costs incurred in relation to future activities are recognised as an asset at the end of each reporting period under amounts due from customers for contract work.

The level of amounts due from customers for contract work as at a given reporting date is mainly affected by the duration between our submission of progress payment applications and receipt of progress certificates from our customers. It normally takes approximately 30 days for our customer's progress certificates to be issued upon our submission of progress payment applications. Notwithstanding the above, the billing and payment certification for variation orders or claims payment would normally take longer as they are usually subject to a process of negotiation. Accordingly, the balance of amounts due from/to customers for contract work vary from period to period.

As at 31 March 2014, 2015, 2016 and 30 September 2016, our amounts due from customers for contract work were approximately HK\$20.5 million, HK\$38.5 million, HK\$50.6 million and HK\$90.2 million, respectively. The increase in amounts due from customers for contract work throughout the Track Record Period was driven by the increase in volume of contract activities due to our aforementioned business expansion, including the notable increase in contract works performed for our building construction services and related variation orders, which generally took more time for certification by our customers. In addition, in respect of one of our major contract belonging to the service category of building construction services, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, which ranks amongst the foremost in terms of revenue contribution, due to the nature of this contract, more extensive measurement was required for a material proportion of contract works performed before the corresponding value of progress payment up to a certain stage can be ascertained. As the involved measurement works were typically more time consuming due to more extensive review required, certain portion of contract works undertaken by our Group up to 30 September 2016 has not yet been certified by the contract employer as at 30 September 2016. As this contract ranks amongst the foremost in terms of revenue contribution for the six months ended 30 September 2016, and has progressed towards an intermediate stage of the contract works during the concerned period with considerably higher volume of contract works performed, the corresponding effect was more pronounced and contributed to a notable increase in our amounts due from customers for contract works as at 30 September 2016.

FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately 82.1% by value of our amounts due from customers for contract work as at 30 September 2016 had been subsequently certified.

Progress billings represent works performed by us, for which the payment certificates have been received from our customers before the end of a reporting period. They are included under “Trade and other receivables”.

Amounts due to customers for contract work occurs when progress billings exceed the contract costs incurred plus recognised profits. Amounts due to customers for contract work were approximately HK\$15.4 million, HK\$16.2 million, HK\$10.7 million and HK\$14.1 million as at 31 March 2014, 2015, 2016 and 30 September 2016, respectively. The comparatively lower balance as at 31 March 2016 was mainly driven by projects such as (i) project A4 — Design and build for a storage in Yuen Long; and (ii) project C1 — Revitalisation and conservation for a cluster of house in Wan Chai, for which progress billings exceeded their contract values recognised in the income statement, which were determined based on their estimated stage of completion as at the respective foregoing financial year end date, taking into consideration of the outcome of those projects as well as the work done to date.

Trade, retention and other receivables, deposits and prepayments

The following table sets out the composition of our trade, retention and other receivables, deposits and prepayments as at the dates indicated:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	27,204	37,533	34,943	24,665
Retention receivables	14,273	20,772	23,460	22,524
Prepayments, deposits and other receivables	3,049	3,744	7,263	8,609
	44,526	62,049	65,666	55,798

Trade receivables

Trade receivables represent progress billings of work performed by us, for which payment certificates have been received from our customers before the end of reporting period and pending payment. Our customers typically include contract employers, main contractors in the case of ourselves taking up sub-contracted works, or, Government and quasi-Government organisations in the case of construction projects undertaken for public customers.

FINANCIAL INFORMATION

Credit terms granted to our customers vary from contract to contract. The settlement date is usually determined with reference to the payment certificate date and usually coincides with the payment certificate date, which is approximately 30 days upon our submission of progress payment application. Notwithstanding the above, a material proportion of our trade and other receivables are generally settled within 90 days from the certificate date, subject to actual payment certification and the terms and conditions of the contracts.

The increase in trade receivables from approximately HK\$27.2 million as at 31 March 2014 to approximately HK\$37.5 million as at 31 March 2015 was mainly attributable to the increase in volume of our Group's contract activities, including certain major contracts commenced in the year such as project A1 and B2; and also because for various contracts including those from certain of our largest customers during the Track Record of Wide Project Engineering & Construction Company ("**Wide Project**"), Customer A and Wah Tat Construction Company ("**Wah Tat**"), such as project A5 and B4, they have either been completed or progressed to an advanced stage during the year ended 31 March 2015. As it usually took longer time to review and certify the final account amounts, the relevant contract sum receivables were still pending as at 31 March 2015.

The slight decrease in trade receivables from approximately HK\$37.5 million as at 31 March 2015 to approximately HK\$34.9 million as at 31 March 2016 was mainly attributable to the completion of the final accounts of the aforementioned projects, including those in relation to certain of our largest customers during the Track Record Period of Wide Project, Customer A, whereby the amount involved was substantially settled. Major balances included in trade receivables as at 31 March 2016 included those due from one of our largest customers during the Track Record of Customer D, in respect of a major contract, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, commenced during the year concerned; and also Tailake International Co Ltd, in respect of a major contract, namely project A4, commenced in the preceding year and progressed to a contract stage whereby notably higher value of contract works were performed during the year concerned.

The decrease in trade receivables from approximately HK\$34.9 million as at 31 March 2016 to approximately HK\$24.7 million as at 30 September 2016 was mainly attributable to the substantial completion of certain projects including notably the aforementioned project A1, thereby a material proportion of the previously pending progress billings in relation to the project has been settled. Major balances included in trade receivables as at 30 September 2016 included those due from one of our largest customers during the Track Record of Customer D in respect of a major contract, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, which has progressed towards an intermediate stage of the contract works during the period concerned with considerably higher volume of contract works performed; and also Wah Tat, in respect of another major project C1, which has progressed to the later contract stage and was still undergoing as at the Latest Practicable Date. In addition, notwithstanding that the aforementioned project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works has progressed towards an intermediate stage of the contract works, progress billings for certain portion of contract works undertaken by our Group up to 30 September 2016 has not yet been issued and certified by the contract employer as at 30 September 2016, because for this particular project progress payment for a materially higher

FINANCIAL INFORMATION

proportion of contract works were determined on a re-measurement basis which are typically more time consuming due to more extensive review required. As such, progress payments for certain contract works performed up to 30 September 2016 has not been recognised and further contributed to the decrease in balance.

The following table sets out the ageing analysis of the trade receivables, net of provision for doubtful debt, based on invoice date, as at the dates indicated:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Less than 30 days	19,565	24,583	27,407	17,832
31–60 days	3,579	5,909	2,340	1,684
61–90 days	869	2,705	327	178
Over 90 days	3,191	4,336	4,869	4,971
	27,204	37,533	34,943	24,665

As at 30 September 2016, our trade receivables of approximately HK\$5.0 million aged over 90 days mainly included an amount of approximately HK\$2.7 million receivables from Wide Project in respect of building construction services projects A1 and A5, due to the negotiation and certification of the amounts of the final account. Notwithstanding our customers would generally settle amounts due to our Group in accordance with payment terms as disclosed earlier, it is also not unusual for main contractors or customers to delay payments to their contractors or subcontractors as there is a period for final measurement when the projects are approximate to the completion stage.

The ageing analysis of trade receivable that were past due but not impaired are as follows:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Overdue:				
Less than 30 days	3,579	5,909	2,340	1,684
31–60 days	869	2,705	327	178
61–90 days	302	1,100	259	275
Over 90 days	2,889	3,236	4,610	4,696
	7,639	12,950	7,536	6,833

FINANCIAL INFORMATION

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with our Group. Based on past experience, our Directors are of the view 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 considered fully recoverable. Our Group does not hold any collateral over these balances. As at 31 March 2014, 2015, 2016 and 30 September 2016, our trade receivables of approximately HK\$7.6 million, HK\$13.0 million, HK\$7.5 million and HK\$6.8 million, respectively were past due but not impaired.

The following table sets forth the turnover days of trade receivables (calculated as the average of beginning and ending trade receivables for the period divided by revenue for the period, and multiplied by the number of days in the period) for the financial periods indicated:

	For the year ended 31 March			For the six months ended 30 September
	2014	2015	2016	2016
	Trade receivables turnover days	<u>55.7 days</u>	<u>40.8 days</u>	<u>36.6 days</u>

Our trade receivables turnover days decreased from approximately 55.7 days for the year ended 31 March 2014 to approximately 40.8 days for the year ended 31 March 2015. It further decreased to approximately 36.6 days for the year ended 31 March 2016. It then remained fairly stable at approximately 37.6 days for the six months ended 30 September 2016. The general decrease in our trade receivable turnover days during the Track Record Period was mainly attributable to: (i) the completion of final measurement period, which typically involves a longer period of review and agreement as to value of contract works performed, for certain major projects from Wide Project, Customer A, Wah Tat and Customer F; and (ii) the commencement of our major project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works with Customer D for the year ended 31 March 2016, as it generally took shorter time to facilitate the certification of the works completed during the early stage of the project, in addition to the timely payment made from Customer D.

As at the Latest Practicable Date, approximately 93.8% of our trade receivables as at 30 September 2016 had been subsequently settled.

Retention receivables

Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts. The amount of retention money depends on negotiation between the parties. During the Track Record Period, public and private customers generally hold up to a maximum of 5% of the contract sum as retention money. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may subject to, practical completion, the expiry of the defect liability period or a pre-agreed time period. Retention

FINANCIAL INFORMATION

money are normally released as to 50% of upon completion or shortly after completion of the project and as to the remaining 50% of the retention money upon the end of the defect liability period.

The following table sets out the ageing analysis of the retention receivables based on invoice date as at the dates indicated:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Will be recovered within twelve months	14,094	20,746	22,750	16,820
Will be recovered more than twelve months after the indicative date	179	26	710	5,704
	14,273	20,772	23,460	22,524

Our retention receivables amounted to approximately HK\$14.3 million, HK\$20.8 million, HK\$23.5 million and HK\$22.5 million, respectively, as at 31 March 2014, 2015, 2016 and 30 September 2016. As at 30 September 2016, the five largest and the largest retention receivables amounted to approximately HK\$12.3 million and HK\$3.4 million, respectively. The release of the retention receivables will be subject to (i) issuance of the practical completion certificate for the contract works undertaken by our Group; and (ii) the completion of all our obligations in accordance with the construction contract or the certificate to be issued by the construction manager in the absence of a final account.

We expect all outstanding retention monies to be released within the expiry of the defect liability period or the time period pre-agreed between our Group and our customers according to the respective contracts and works done. As at 31 January 2017, approximately HK\$3.6 million of retention monies recorded as at 30 September 2016 has been released to us.

We maintain good relationships with our customers and have regular contacts with our customers, architects and consultants in the construction industry. During the Track Record Period, 38 of customers has awarded us with more than one project and a number of such customers have done business with us for over five years. Please refer to the paragraph headed “Business — Sales and Marketing and Customers” in this prospectus for further details about our customers. Our Directors confirmed that there was no termination of major contracts and material default that was due to fault of our Group during the Track Record Period and up to the Latest Practicable Date.

We regularly monitor the ageing of our trade receivables and would make specific provision for doubtful debts when there is objective evidence that we shall be unable to collect the amounts due. We did not make any provision for doubtful debt in respect of trade receivables and retention receivables during each of the three years ended 31 March 2016 and the six months ended 30 September 2016.

FINANCIAL INFORMATION

Prepayments, deposits and other receivables

Deposits, prepayments and other receivables represent receivables from prepaid insurance in respect of issuance of performance bond; receivables for payment on behalf of a contract customer out of contract activities; deferred listing expenses; deposits for the acquisition of machinery and equipment; and other miscellaneous deposits and prepayments.

Our prepayments, deposits and other receivables amounted to approximately HK\$3.0 million, HK\$3.7 million, HK\$7.3 million and HK\$8.6 million, respectively, as at 31 March 2014, 2015, 2016 and 30 September 2016.

Prepayments, deposits and other receivables generally increased throughout the Track Record Period as our Group's volume of contract activities expanded. The notably higher balance of approximately HK\$8.6 million as at 30 September 2016, as compared to other years and period comprising the Track Record Period, was because the balance includes deferred listing expenses of non-recurrent nature in the amount of approximately HK\$2.5 million; and as we paid additional deposits of approximately HK\$0.8 million, including rental deposits for a property newly leased by our Group during the six months ended 30 September 2016 as office premise.

Trade and other payables and accruals

Our trade and other payables and accruals are primarily related to the purchase of construction materials and parts and consumables, works performed by subcontractors and retention payables in relation to subcontractors for completed and on-going projects. Set out below is the composition of trade and other payables and accruals as at the dates indicated:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	28,188	41,329	53,195	46,998
Bills payables	8,377	9,063	4,783	9,913
	36,565	50,392	57,978	56,911
Other payables and accruals	2,396	5,853	4,267	15,951
	38,961	56,245	62,245	72,862

FINANCIAL INFORMATION

The following table sets out the turnover days of trade payables (calculated as the average of beginning and ending trade payables balance for the period, divided by actual cost of sales for the period, multiplied by the number of days in the period) for the financial period indicated:

	For the year ended 31 March			For the six months ended 30 September
	2014	2015	2016	2016
	Trade payables turnover days	<u>54.6 days</u>	<u>51.6 days</u>	<u>56.2 days</u>

Credit terms granted to us by our suppliers vary from contract to contract. Our suppliers, on average, grant us a credit period of mostly 30 days to 60 days upon the issue of an invoice. Our trade payables' turnover days remained fairly stable for the three years ended 31 March 2016 and six months ended 30 September 2016, which were approximately 54.6 days, 51.6 days, 56.2 days and 79.4 days, respectively, calculated on the basis of total cost of sales of approximately HK\$160.7 million, HK\$245.7 million, HK\$307.1 million and HK\$115.4 million, respectively, for the relevant periods. Our Directors consider that the higher trade payables' turnover days during the period of six months ended 30 September 2016 was partially due to a higher balance of trade payable at the beginning of the period concerned, which in turn was contributed by the continual expansion of our Group's business up to that point. Accordingly, as and when our Group's revenue and cost of sales declined for the period concerned, the higher beginning balance correspondingly gave rise to the resulting calculation of a higher trade payables' turnover days. Our Directors consider that after adjusting for these effects, the trade payables' turnover days during the Track Record Period were generally within the credit period and there was no liquidity problem for our Group.

As at the Latest Practicable Date, approximately 69.4% of our trade payables as at 30 September 2016 were subsequently settled.

We generally settle our trade payables within 90 days from the invoice dates. Notwithstanding the above, we may make payments to our suppliers or subcontractors after we have received payment certificates and settlement from our main contractors or customers for works we performed. Accordingly, in such instances and for certain projects, there exists a co-relationship between our trade payables' turnover days and the level of amounts due from customers for contract work, which represent completed projects or ongoing contract works close to the end of the reporting periods, yet to be certified by our customers. The level of amounts due from customers for contract work is mainly affected by the status of ongoing contract works in the last quarter of each reporting period and, thus, varies from period to period. Please refer to paragraph headed "Analysis of Selected Combined Balance Sheet Items — Amounts due from/to customers for contract work" in this section of the prospectus for further details concerning amounts due from customers for contract work.

FINANCIAL INFORMATION

As our business of contract works operates on a non-recurring and project-by-project basis, our direct costs incurred during each of the three years ended 31 March 2016 and the six months ended 30 September 2016 may fluctuate subject to the size and the progress of our projects at a given time thereby affecting our trade payable balance as at the end of each reporting period. Whilst our cost of sales increased from approximately HK\$160.7 million for the year ended 31 March 2014 to approximately HK\$245.7 million for the year ended 31 March 2015, our trade payables increased from approximately HK\$28.2 million as at 31 March 2014 to approximately HK\$41.3 million as at 31 March 2015. Our cost of sales increased further to approximately HK\$307.1 million for the year ended 31 March 2016, and our trade payables increased to approximately HK\$53.2 million as at 31 March 2016. Trade payables as at 31 March 2014, 2015 and 2016 were mainly driven by certain completed projects or ongoing contract works close to the end of the relevant year, yet to be certified by our customers. The upward trend of our trade payables during the three years ended 31 March 2016 was in line with our increase in our cost of sales. For the six months ended 30 September 2016, our cost of sales decreased from HK\$147.8 million for the comparative period of six months ended 30 September 2015 to approximately HK\$115.4 million, and our trade payables decreased from approximately HK\$53.2 million as at 31 March 2016 to approximately HK\$47.0 million as at 30 September 2016, which was in line with the decline in revenue and cost sales for the period concerned.

The following table sets out the ageing analysis of trade payables based on the invoice date as at the dates indicated:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1–30 days	21,635	24,621	19,194	12,233
31–60 days	1,307	7,667	13,386	11,234
61–90 days	965	2,248	4,338	5,960
Over 90 days	4,281	6,793	16,277	17,571
	28,188	41,329	53,195	46,998

As at 31 March 2014, 2015, 2016 and 30 September 2016, the amounts due within 90 days accounted for approximately 84.8%, 83.6%, 69.4% and 62.6% of our trade payables, respectively. The remaining balances due over 90 days as at the aforementioned financial year end dates were approximately HK\$4.3 million, HK\$6.8 million, HK\$16.3 million and HK\$17.6 million, respectively. Included in the balance due over 90 days were certain amounts retained by us as retention monies that will be released to our subcontractors over a longer time horizon, generally upon expiry of the defect liability period. In addition, notwithstanding that we would generally settle our trade payables in accordance with payment terms as disclosed earlier, it is also not unusual for us to delay payments to our subcontractors when the projects are delayed or until the main contractors or customers have received settlements themselves for works performed by ourselves.

FINANCIAL INFORMATION

Out of the total trade payable balances due over 90 days at 30 September 2016 of approximately HK\$17.6 million, major balances included (i) an amount of approximately HK\$1.3 million due to a subcontractor in relation to services of timber formwork rendered for our major building construction services project A4, which the final account was still under progress as at the Latest Practicable Date; (ii) an amount of approximately HK\$1.4 million due to a subcontract in relation to services of iron works rendered for several projects including our major building construction services projects A7 and A10; and (iii) an amount of approximately HK\$1.0 million due to a subcontractor for service of iron works rendered for certain of our other major projects, including building construction services projects A2 and A4, and repair and restoration of historic building project C1. In addition to the foregoing, the Directors estimated that out of the total trade payable balances due over 90 days at 30 September 2016, amounts in aggregate of approximately HK\$8.4 million due to various suppliers and subcontractors were still under liaison to finalise amount approved for settlement. All individual amounts comprising this aggregate balance of approximately HK\$8.4 million pending settlement were less than HK\$1 million.

Other than the aforementioned suppliers and subcontractors amounts, the remaining balance due over 90 days at 30 September 2016 aggregated to not more than HK\$5.7 million, for which settlement has not been made as the underlying payment claims has not been certified and agreed by our Group. The relevant amounts have nevertheless been accrued as trade payables on grounds of prudence and will be reversed only upon affirmations have been obtained that the payment claims for these amounts have been waived or lapsed, or in the event our Group agreed to the payment claims. These amounts pending clearance were spread over no less than 100 entries of suppliers and subcontractors, with the maximum outstanding balance due to the respective individual supplier and subcontractor being less than HK\$0.2 million; and the predominant proportion of individual outstanding balance being insignificant.

We have strong business relationships with our major subcontractors and construction materials suppliers ranging from approximately one to nine years and one to five years, respectively. Please refer to the paragraph headed “Business — Suppliers and Subcontractors — Selection criteria for suppliers and subcontractors” in this prospectus for further details about our suppliers and subcontractors. Our Directors confirm that our Group had no default in payment of trade payables during each of the three years ended 31 March 2016 and the six months ended 30 September 2016 and up to the Latest Practicable Date.

FINANCIAL INFORMATION

Bills payables represents bank acceptance notes. The following table sets out the ageing analysis of bills payables based on the maturity date as at the dates indicated:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due within 30 days	5,856	3,363	1,598	2,662
Due within 31 to 60 days	—	3,781	2,483	6,405
Due within 61 to 90 days	<u>2,521</u>	<u>1,919</u>	<u>702</u>	<u>846</u>
	<u>8,377</u>	<u>9,063</u>	<u>4,783</u>	<u>9,913</u>

As at the Latest Practicable Date, all of our bills payables as at 30 September 2016 were subsequently settled.

Other payables and accruals represent accrued staff costs and pension obligations, receipt in advance from customers, loan from a third party and other miscellaneous accrued expenses. As follow:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued staff costs and pension obligations	1,682	1,788	3,608	6,304
Receipt in advance from customers	316	411	225	2,448
Accrued expenses	365	487	407	489
Accrued listing expenses	—	—	—	3,345
Other payables	<u>33</u>	<u>3,167</u>	<u>27</u>	<u>3,365</u>
	<u>2,396</u>	<u>5,853</u>	<u>4,267</u>	<u>15,951</u>

Our other payables and accruals increased from approximately HK\$2.4 million as at 31 March 2014 to approximately HK\$5.9 million as at 31 March 2015, mainly because the balance as at 31 March 2015 included primarily amounts due to one of our contract customers of approximately HK\$3.2 million, out of payment by this party on behalf of our Group in relation to contract activities. As at 30 September 2016, our other payables and accruals markedly increased to approximately HK\$16.0 million, which was mainly due to the continual upsurge in accrued staff costs and pension obligations as our Group's headcount expanded to over 320 people. The additions to headcount was primarily in respect of site workers, and was partially due to the undertaking of project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, for which we carried out a higher proportion of contract works with our own workers instead of employing

FINANCIAL INFORMATION

subcontractors for this particular contract. As salaries for administrative staff were mostly settled by month end, whilst it is common for wages payable to our site workers mostly continued to be accrued by month end and settled thereafter, the additions to headcount in terms of primarily site workers further contributed to the more than proportionate increase in accrued staff costs at the end of the period concerned; (i) the receipt in advance from customers as a result of the deposits received of approximately HK\$2.2 million in relation to an alternation, addition, fitting-out works and building services commenced contract newly before the end of period concerned, namely project B25; (ii) the increase in other payables, arising from amounts due to one of our contract customers of approximately HK\$3.0 million, out of payment by this party on behalf of our Group in relation to contract activities; and (iii) the accrual of non-recurrent listing expenses of approximately HK\$3.3 million.

Borrowings

Our Group's borrowings represent financing provided by our bankers in the form of bank loans and bank overdrafts during the Track Record Period and 31 January 2017, being the latest practicable date for determining the Group's indebtedness, are as follows:

	As at 31 March			As at 30 September	As at 31 January
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 <i>(unaudited)</i>
Bank borrowings	16,402	25,788	31,215	26,354	37,697
Bank overdrafts	3,129	4,429	4,316	3,134	7,876
	19,531	30,217	35,531	29,488	45,573

Our bank loans amounted to approximately HK\$19.5 million, HK\$30.2 million, HK\$35.5 million, HK\$29.5 million and HK\$45.6 million, respectively, as at 31 March 2014, 2015, 2016, 30 September 2016 and 31 January 2017. All bank borrowings are either due for repayable within one year or repayable after one year but contain a repayment on demand clause and, accordingly, are

FINANCIAL INFORMATION

classified as current liabilities. Set out below are the maturity terms of our Group's borrowings as at 31 March 2014, 2015, 2016, 30 September 2016 and 31 January 2017:

	As at 31 March			As at 30 September	As at 31 January
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 <i>(unaudited)</i>
Portion due for repayment within 1 year	11,060	18,085	23,927	24,336	40,994
Portion due for repayment after 1 year but within 2 years which contain a repayment on demand clause	967	1,850	1,715	1,747	2,960
Portion due for repayment after 2 years but within 5 years which contain a repayment on demand clause	5,478	8,650	8,664	3,383	1,619
Portion due for repayment after 5 years which contain a repayment on demand clause	<u>2,026</u>	<u>1,632</u>	<u>1,225</u>	<u>22</u>	<u>—</u>
	<u><u>19,531</u></u>	<u><u>30,217</u></u>	<u><u>35,531</u></u>	<u><u>29,488</u></u>	<u><u>45,573</u></u>

These borrowings carry floating rates at Prime Rate, Hong Kong Interbank Offered Rate (“HIBOR”) or London Interbank Offered Rate (“LIBOR”) plus or minus a margin and the exposure of these bank borrowings to interest rate charges and the contractual repricing dates are six months or less. The weighted average interest rates were approximately 4.4%, 4.6%, 4.4% and 4.4% per annum as at 31 March 2014, 2015, 2016 and 30 September 2016, respectively.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, the bank borrowings facilities granted to our Group are secured by the following:

- (a) Joint and several personal guarantees executed by Mr. Leung, Mr. Lam and Mr. Aaron Leung;
- (b) Pledged deposits of HK\$500,000, HK\$500,000, HK\$500,000 and HK\$500,000 respectively;
- (c) Financial assets at fair value through profit or loss amounting to HK\$7,557,000, HK\$10,795,000, HK\$10,696,000 and HK\$11,440,000 which has been reclassified as non-current assets held for distribution as at 30 September 2016;

FINANCIAL INFORMATION

- (d) The Group's land and buildings amounting to HK\$8,690,000, HK\$8,440,000, HK\$8,190,000 and HK\$8,064,000, respectively;
- (e) Pledged properties of a related company and of Mr. Lam's family members located in Hong Kong;
- (f) Guarantees executed by the Government under Small and Medium Enterprise Loan Guarantee Scheme; and
- (g) Corporate guarantees executed by subsidiaries now comprising the Group.

Our Directors confirm that our Group had no default in payment of bank borrowings during the Track Record Period.

The aforementioned pledge of financial assets at fair value through profit or loss (reclassified as non-current assets held for distribution as at 30 September 2016) has been released as at the Latest Practicable Date.

The aforementioned personal guarantees provided by Mr. Leung, Mr. Lam and Mr. Aaron Leung, pledge of properties of a related company and of Mr. Lam's family members will be released and replaced by corporate guarantees provided by our Company upon Listing. The loan under the Small and Medium Enterprise Loan Guarantee Scheme will be settled before Listing.

Obligations under finance lease and additions to property, plant and equipment

During each of the three years ended 31 March 2016 and the six months ended 30 September 2016, our Group acquired certain assets by way of finance leases. Please refer to paragraph headed "Business — Machinery" and "Business — The NRMM Regulation" in this prospectus for further details on machinery and equipment employed by our Group. During each of the three years ended 31 March 2016 and the six months ended 30 September 2016, additions to property, plant and equipment, mainly in respect of furniture and office equipment, motor vehicles, of our Group financed by new finance leases were approximately HK\$0.9 million, HK\$2.3 million, HK\$2.0 million and HK\$0.9 million, respectively. Total lease liabilities for each of the three years ended 31 March 2016 amounted to approximately HK\$0.7 million, HK\$2.0 million, HK\$2.8 million and HK\$2.7 million, respectively.

The original lease term entered by our Group for the leases outstanding as at 31 March 2014, 2015, 2016 and 30 September 2016 were ranged from two to four years. Interest rates underlying all obligations under finance leases as at 31 March 2014, 2015, 2016 and 30 September 2016 were fixed at respective contract dates ranging from 3.7% to 4.1% per annum, 2.9% to 5.8% per annum, 2.9% to 6.2% per annum and 2.9% to 6.2% per annum, respectively. Our Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

Our Directors confirm that our Group had no default in payment of finance lease obligations and/or breaches of the finance lease covenants during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Our Group financed our operations and growth mainly through a combination of cash from operations and external borrowings and we applied our cash mainly to finance our operations and to repay our borrowings. Our borrowings during the Track Record Period comprised principally of bank overdrafts and bank loans. The liquidity position is monitored by the Directors and our Groups finance department in Hong Kong. Our 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 shorter and longer term. We monitor our liquidity requirements primarily by reviewing the maturities of our assets and liabilities, as well as available banking facilities with an objective to ensure that we have sufficient funds to meet obligations as they become due.

As at 31 March 2014, 2015, 2016 and 30 September 2016, our Group held cash and cash equivalents of approximately HK\$3.7 million, HK\$1.5 million, HK\$7.2 million and HK\$2.3 million, respectively, that are expected to be readily available to generate cash inflows for managing liquidity risk. We have historically met our capital expenditures, working capital and other liquidity requirements principally from cash generated from our operations, bank borrowings and capital contributions from shareholders. Our Directors confirm that we did not experience any liquidity problems during the three years ended 31 March 2016 and the six months ended 30 September 2016.

Our Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and other assets that our Group considers appropriate and financing with drawn down of borrowings are also considered by our Group in its capital structuring. Our Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing bank borrowings which enable our Group to continue its business for the foreseeable future.

Specific considerations in determining our appropriate cash position include working capital requirements for our projects either in progress or yet to commence, capital expenditure needs and our liquidity ratios. We also aim to maintain a certain level of excess cash to meet unexpected circumstances. However, in the event of unexpected cash flow mismatches brought about by the timing differences between the receipts from contract customers and the payments to subcontractors, we have maintained several credit facilities from various banks, which we are able to draw upon to satisfy any needs of funds. During the Track Record Period, we had total available banking facilities in the amounts of approximately HK\$40.3 million, HK\$51.4 million, HK\$67.1 million and HK\$68.8 million, respectively, as at 31 March 2014, 2015, 2016 and 30 September 2016; of which approximately HK\$33.9 million, HK\$45.3 million, HK\$46.4 million and HK\$52.0 million, respectively, has been utilised.

As at the Latest Practicable Date, save as disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus, our Directors were not aware of any material change to the sources of cash of our Group and the use of cash by our Group.

FINANCIAL INFORMATION

Prior to the Listing, we funded our operations principally from the cash flows generated from undertakings of contract works and through bank borrowings. Our principal liquidity and capital requirements were mainly (i) costs and expenses in relation to the operation of our business, including the procurement of construction materials; (ii) payment to our subcontractors; and (iii) labour cost for both our site workers and administrative staff. Other liquidity and capital requirements of lesser materiality include (i) capital expenditures for the purchase of key management insurance contracts; (ii) purchase of property, plant and equipment; and (iii) cash advances to shareholders.

After the Listing, we expect to meet our liquidity needs, including those in relation to ongoing new projects that our Group will undertake, from cash generated from our operations and partial of the proceeds from the Share Offer. In the future, our Group may require additional cash due to changing business conditions or other future developments, including any investments or acquisitions our Group may decide to pursue. Accordingly, our Group's sources of capital will be expanded to cover other funds raised from the capital markets from time to time, including debt and equity financings where appropriate. If our Group's existing cash is insufficient to meet our Group's requirements, our Group may also seek to issue debt securities or borrow from lending institutions. We currently do not have existing plans for these financing pursuits.

The following table sets forth a summary of our cash flows for the years and periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Net cash generated from/(used in)					
operating activities	8,477	7,002	8,080	21,124	(3,196)
Net cash used in investing					
activities	(10,143)	(16,365)	(5,059)	(2,622)	(622)
Net cash generated from/(used in)					
financing activities	<u>1,519</u>	<u>7,176</u>	<u>2,670</u>	<u>(12,322)</u>	<u>(1,120)</u>
Net (decrease)/increase in cash					
and cash equivalents	(147)	(2,187)	5,691	6,180	(4,938)
Cash and cash equivalent at the					
beginning of the year/period	<u>3,871</u>	<u>3,724</u>	<u>1,537</u>	<u>1,537</u>	<u>7,228</u>
Cash and cash equivalent at the					
end of the year/period	<u><u>3,724</u></u>	<u><u>1,537</u></u>	<u><u>7,228</u></u>	<u><u>7,717</u></u>	<u><u>2,290</u></u>

FINANCIAL INFORMATION

Net cash generated from/(used in) operating activities

Our cash inflow from operating activities is primarily generated from the provision of various contract work services. Our cash outflow for operating activities primarily related to purchase of construction materials and consumables, staff costs, subcontracting charges and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of contract works and the settlement of trade receivables by our customers and trade payables by our Group.

During the year ended 31 March 2014, our net cash generated from operating activities amounted to approximately HK\$8.5 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$16.6 million. The difference of approximately HK\$8.1 million was mainly attributable to the combined effect of (i) the increase in trade and retention receivables of approximately HK\$9.7 million, which was driven by the progress billing and settlement status of our completed and ongoing contract works in the corresponding last quarter of each reporting period; (ii) the decrease in accruals and other payables of approximately HK\$7.5 million; and (iii) the income tax payment of approximately HK\$2.2 million, partially offset by the increase in trade payables of approximately HK\$11.1 million.

During the year ended 31 March 2015, our net cash generated from operating activities amounted to approximately HK\$7.0 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$28.6 million. The difference of approximately HK\$21.6 million was mainly attributable to the net effect of (i) the increase in trade and retention receivables and amounts due from customers for contract work of approximately HK\$16.8 million and HK\$17.1 million, respectively, which were driven by the project status of our completed and ongoing contract works and/or related progress billing and settlement thereof in the corresponding last quarter of each reporting period; (ii) the income tax payment of approximately HK\$3.9 million; partially offset by (iii) the increase in trade payables of approximately HK\$13.8 million; and (iv) the increase in accruals and other payables of approximately HK\$3.5 million.

During the year ended 31 March 2016, our net cash generated from operating activities amounted to approximately HK\$8.1 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$33.9 million. The difference of approximately HK\$25.8 million was primarily due to a combination of (i) the increase in amounts due from customers for contract work of approximately HK\$17.7 million, which were driven by the project status of our completed and ongoing contract works and/or related progress billing and settlement thereof in the corresponding last quarter of each reporting period; (ii) the increase in prepayments, deposits and other receivables of approximately HK\$3.6 million; (iii) the income tax payment of approximately HK\$9.6 million; partially offset by (iv) the increase in trade payables of approximately HK\$7.6 million.

FINANCIAL INFORMATION

During the six months ended 30 September 2015, our net cash generated from operating activities amounted to approximately HK\$21.1 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$8.9 million. The difference of approximately HK\$12.2 million was primarily due to a combination of (i) the decrease in amounts due from/to customers for contract work of approximately HK\$16.6 million, which were driven by the project status of our completed and ongoing contract works and/or related progress billing and settlement thereof in the corresponding last quarter of each reporting period; (ii) the decrease in trade payables of approximately HK\$8.7 million; (iii) the decrease in accruals and other payables of approximately HK\$6.3 million; partially offset by (iv) the increase in trade and retention receivables of approximately HK\$12.1 million, which were also driven by the project status of our completed and ongoing contract works and/or related progress billing and settlement thereof in the corresponding last quarter of each reporting period; (v) the increase in prepayments, deposits and other receivables of approximately HK\$5.8 million; and (vi) the decrease in amounts due to related companies of approximately HK\$1.1 million.

During the six months ended 30 September 2016, our net cash used in operating activities amounted to approximately HK\$3.2 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$13.6 million. The difference of approximately HK\$16.8 million in absolute amount was primarily due to a combination of (i) the increase in amounts due from/to customers for contract work of approximately HK\$36.2 million, which were driven by the project status of our completed and ongoing contract works and/or related progress billing and settlement thereof in the corresponding last quarter of each reporting period; (ii) the decrease in trade payables of approximately HK\$1.1 million; and (iii) the increase in prepayments, deposits and other receivables of approximately HK\$1.9 million; partially offset by (iv) the decrease in trade and retention receivables of approximately HK\$11.2 million, which were also driven by the project status of our completed and ongoing contract works and/or related progress billing and settlement thereof in the corresponding last quarter of each reporting period; and (v) the increase in accruals and other payables of approximately HK\$11.7 million.

The Group's net cash used in operating activities for the six months ended 30 September 2016 was partially contributed by the timing differences between the receipts from contract customers and the payments to subcontractors in respect of a major building construction service contract, namely project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, as substantial contract works has been undertaken by our Group and its subcontractors for this contract up to 30 September 2016, while certain portion of the involved contract works has not yet been certified by the contract employer as at 30 September 2016 due to more extensive review required for the measurement of value of progress payment for a materially higher proportion of contract works for this particular contract, and thereby affected timing of settlement for the involved progress payment to our Group for the period concerned.

FINANCIAL INFORMATION

Net cash used in investing activities

Our cash outflow for investing activities was primarily in respect of the purchase of key management insurance contracts, the purchase of property, plant and equipment and cash advances to shareholders. Our cash inflow from investing activities of immaterial amounts was primarily derived from proceeds from disposal of property, plant and equipment, and interest received.

During the year ended 31 March 2014, our net cash used in investing activities amounted to approximately HK\$10.1 million, which was mainly attributable to (i) cash utilised to acquire key management insurance contracts of approximately HK\$6.1 million; (ii) cash utilised to acquire property, plant and equipment of approximately HK\$0.6 million; and (iii) cash advances to shareholders of approximately HK\$3.5 million.

During the year ended 31 March 2015, our net cash used in investing activities amounted to approximately HK\$16.4 million, which was mainly attributable to (i) cash utilised to acquire key management insurance contracts of approximately HK\$2.0 million; (ii) cash utilised to acquire property, plant and equipment of approximately HK\$1.9 million; and (iii) cash advances to shareholders of approximately HK\$12.4 million.

During the year ended 31 March 2016, our net cash used in investing activities amounted to approximately HK\$5.1 million, which was mainly attributable to (i) cash utilised to acquire property, plant and equipment of approximately HK\$1.4 million; and (ii) cash advances to shareholders of approximately HK\$3.7 million.

During the six months ended 30 September 2015, our net cash used in investing activities amounted to approximately HK\$2.6 million, which was mainly attributable to (i) cash advances to shareholders of approximately HK\$2.5 million; and (ii) cash utilised to acquire property, plant and equipment of approximately HK\$0.1 million.

During the six months ended 30 September 2016, our net cash used in investing activities amounted to approximately HK\$0.6 million, which was mainly attributable to (i) cash advances to shareholders of approximately HK\$0.5 million; (ii) cash utilised to acquire property, plant and equipment of approximately HK\$0.6 million; and partially offset by (iii) proceed from disposal of property, plant and equipment of approximately HK\$0.4 million.

Net cash generated from/(used in) financing activities

Our cash inflow for financing activities primarily consists of proceeds from draw down of bank borrowings. Our cash outflow for financing activities primarily consists of (i) repayment of bank borrowings and interests; (ii) payment of capital and interest elements of finance lease rentals; and (iii) proceeds from issuance of shares.

During the year ended 31 March 2014, our net cash generated from financing activities amounted to approximately HK\$1.5 million. Cash outflow mainly attributable to (i) proceeds from draw down of bank borrowings of approximately HK\$29.4 million; partially offset by (ii) the

FINANCIAL INFORMATION

repayment of bank borrowings and interests of approximately HK\$26.6 million and HK\$1.1 million, respectively; and (iii) the payment of capital and interest elements of finance lease rentals of approximately HK\$0.3 million in aggregate.

During the year ended 31 March 2015, our net cash generated from financing activities amounted to approximately HK\$7.2 million which was mainly attributable to (i) the proceeds from draw down of bank borrowings of approximately HK\$48.8 million; (ii) proceeds from issuance of shares of approximately HK\$0.4 million; partially offset by (iii) the repayment of bank borrowings and interests of approximately HK\$39.5 million and HK\$1.8 million, respectively; and (iv) the payment of capital and interest elements of finance lease rentals of approximately HK\$0.8 million in aggregate.

During the year ended 31 March 2016, our net cash generated from financing activities amounted to approximately HK\$1.7 million which was mainly attributable to (i) proceeds from draw down of bank borrowings of approximately HK\$60.9 million; partially offset by (ii) the repayment of bank borrowings and interests of approximately HK\$55.5 million and HK\$1.7 million, respectively; and (iii) the payment of capital and interest elements of finance lease rentals of approximately HK\$1.1 million in aggregate.

During the six months ended 30 September 2015, our net cash used in financing activities amounted to approximately HK\$12.3 million which was mainly attributable to (i) the repayment of bank borrowings and interests of approximately HK\$28.0 million and HK\$0.9 million, respectively; partially offset by (ii) proceeds from draw down of bank borrowings of approximately HK\$17.0 million.

During the six months ended 30 September 2016, our net cash used in financing activities amounted to approximately HK\$1.1 million which was mainly attributable to (i) the repayment of bank borrowings and interests of approximately HK\$63.2 million and HK\$1.1 million, respectively; (ii) the repayment of finance lease obligations of approximately HK\$1.0 million; partially offset by (iii) proceeds from draw down of bank borrowings of approximately HK\$64.1 million.

INDEBTEDNESS

At the close of business on 31 January 2017, being the latest practicable date on which such information was available to us, our Group had outstanding bank borrowings and overdrafts, obligations under finance leases, amounts due to shareholders and other payables of approximately HK\$45,573,000, HK\$2,294,000, HK\$861,000 and HK\$3,857,000, respectively and our Group had surety bonds issued by banks or insurance companies to our customers of approximately HK\$12,889,000, which were secured by

- (i) Our Group's pledged bank deposits of approximately HK\$5,000,000;
- (ii) Our Group's deposits paid to insurance companies of approximately HK\$2,291,000, included in prepayment, deposits and other receivables;

FINANCIAL INFORMATION

- (iii) Our Group's property, plant and equipment with net book value of approximately HK\$10,345,000;
- (iv) Joint and several personal guarantees executed by Mr. Leung, Mr. Lam and Mr. Aaron Leung;
- (v) Pledged properties of a related company and of Mr. Lam's family members located in Hong Kong;
- (vi) Guarantees executed by the Government under Small and Medium Enterprise Loan Guarantee Scheme; and
- (vii) Corporate guarantees executed by subsidiaries now comprising our Group.

The banking facility has been utilised for the issuances of surety bond, hence no amount has actually been drawn down by our Group for such issuances. The surety bond would be released after completion of the relevant project. Based on the nature of surety bond, there is no financial liability of our Group recognised for surety bond.

The interest rates of our bank borrowings and finance lease payables ranged from 3.25% to 7.00% as at 31 January 2017.

The aforementioned personal guarantees provided by Mr. Leung, Mr. Lam and Mr. Aaron Leung, pledge of properties of a related company and of Mr. Lam's family members will be released and replaced by corporate guarantees provided by our Company upon Listing. The loan under the Small and Medium Enterprise Loan Guarantee Scheme will be settled before Listing. Please refer to the section paragraph "Relationship with Controlling Shareholders and Non-Competition Undertaking — Independence from Our Controlling Shareholders — (i) Financial independence" in this prospectus for further details in relation to the release of personal guarantees from Mr. Leung and Mr. Lam.

As at 31 January 2017, our Group had unutilised banking facilities of approximately HK\$18,581,000. The Directors confirm that out of the unutilized banking facilities of HK\$18,581,000 as at 31 January 2017, approximately HK\$15.0 million related to facilities given by a bank which was limited to the use by specific project(s) on hand.

Save as disclosed above, we did not have, at the closure of business on 31 January 2017, any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments or guarantees. Our Directors confirm that

- (i) there had not been any material change in our indebtedness since 31 January 2017 and up to the Latest Practicable Date;
- (ii) the bank borrowings and bank facilities are subject to the standard banking conditions and covenants;

FINANCIAL INFORMATION

- (iii) our Group had complied with all of the covenants under our bank borrowings during the Track Record Period;
- (iv) our Group had not received any notice from any bank indicating that it might withdraw or downsize the bank borrowings and bank facilities; and
- (v) our Group does not have any material external debt financing plans as at the Latest Practicable Date.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, save as disclosed in “Business — Litigation, Arbitration and Potential Claims”, we did not have any material contingent liabilities or guarantees, and we were not currently involved in any material legal proceedings, nor were we aware of any pending or potential material legal proceedings involving us.

CAPITAL MANAGEMENT

Our Group’s objectives when managing capital are to safeguard our Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, our Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, our Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including obligations under finance leases) less cash and cash equivalents. Total capital is calculated as “equity” as shown in the combined balance sheets plus net debt.

OFF-BALANCE SHEET TRANSACTIONS

As at the Latest Practicable Date, we did not enter into any material off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 30 of the Accountant’s Report in Appendix I to this prospectus, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

FINANCIAL INFORMATION

ANALYSIS OF SELECTED FINANCIAL RATIOS

Selected Ratios	Note	As at/For the year ended 31 March			As at/For the six months ended
					30 September
		2014	2015	2016	2016
Return on total assets	1	14.4%	15.1%	14.2%	4.9%
Return on equity	2	76.6%	56.1%	41.7%	18.0%
Net profit margin	3	7.2%	7.8%	6.7%	6.3%
Gearing ratio	4	42.9%	39.5%	31.5%	34.6%
Debt to equity ratio (times)	5	0.8	0.7	0.5	0.5
Current ratio (times)	6	1.0	1.2	1.3	1.3
Interest coverage (times)	7	16.2	15.7	18.2	12.5

Notes:

1. Net profit/total assets × 100%
2. Net profit/total equity × 100%
3. Net profit/revenue × 100%
4. Net debt^(a)/total capital^(b)
5. Net debt^(a)/total equity
6. Current assets (inclusive of non-current assets held for distribution)/current liabilities (inclusive of liabilities held for distribution)
7. Profit before interest and tax/net interest expense

^(a) Net debt is calculated as total borrowings less cash and bank balances. Total borrowings included bank loans, obligations under finance leases. Cash and bank balances included cash and cash equivalents.

^(b) Total capital is calculated as the summation of equity as shown in the combined balance sheet plus net debt.

Return on total assets

Our return on assets was approximately 14.4%, 15.1%, 14.2% and 4.9% for each of the three years ended 31 March 2016 and for the six months ended 30 September 2016, respectively. The increase in return on assets for the year ended 31 March 2015 was primarily due to the increase in net profit as our volume of contract activities expanded, as reflected in the turnover growth of approximately 54.3% for the year. The increase in volume of contract activities has correspondingly resulted in an increase in contract related assets of trade receivables and amounts due from

FINANCIAL INFORMATION

customers for contract works, etc. Nevertheless, the rate of increase in these contract related assets was less than proportionate as compared to that of net profit, resulting in a net increase in our return on assets.

The decrease in return on assets for the year ended 31 March 2016 was primarily due to the lower net profit margin recorded in the year as compared to the year ended 31 March 2015 due to the net effect of lower gross profit margin pertaining to certain major building construction services project, such as project A1 — Superstructure works of a new columbarium building at a cemetery in Chai Wan; and project C1 — Revitalisation and conservation for a cluster of house in Wan Chai, during the year ended 31 March 2016, as discussed in the paragraph headed “Period to Period Comparison of Results of Our Operation — Year ended 31 March 2016 compared to year ended 31 March 2015” in this section of the prospectus.

The substantial decrease in return on total assets for the six months ended 30 September 2016 was mainly due to the decrease in net profit margin during the period as a result primarily of the recognition of Listing expenses of approximately HK\$4.9 million and the upsurge in our Group’s employee benefit expenses. Besides, only the results of operation for six months were taken into account and therefore the return on total assets for the six months ended 30 September 2016 was significantly lower than the same ratio for the year ended 31 March 2016.

Return on equity

Our return on equity was approximately 76.6%, 56.1%, 41.7% and 18.0% for each of the three years ended 31 March 2016 and the six months ended 30 September 2016, respectively. There was a general decline in return on equity over the Track Record Period because in prior years our Group distributed most of our profits from operations as dividends and therefore we started with a relatively lower equity balance at the beginning of the Track Record Period, which correspond to a comparatively higher return on equity for the year ended 31 March 2014. As our equity balance grow during the Track Record Period with reserves of retail earnings accumulated from profitable operation, our return on equity returned to a lower and more sustainable level. The substantial decrease in return on total equity for the six months ended 30 September 2016 was mainly due to decrease in net profit margin during the period as a result primarily of the recognition of listing expenses and upsurge in employee benefit expenses, as explained previously. Besides, only the results of operation for six months were taken into account and therefore the return on equity for the six months ended 30 September 2016 was significantly lower than the same ratio for the year ended 31 March 2016.

Net profit margin

Our net profit margin increased from approximately 7.2% for the year ended 31 March 2014 to approximately 7.8% for the year ended 31 March 2015. The increase in net profit margin was mainly attributable to the net effect of increased gross profit amount as our volume of contract activities expanded, as reflected in the turnover growth of approximately 54.3% for the year concerned, while our fixed overhead did not increase proportionately with turnover. In addition, during the year ended 31 March 2016, one of our major repair and restoration of historical building

FINANCIAL INFORMATION

contracts with better than average gross contract margin, namely project C2 — Relocation for a Government office in Central, progressed towards the later part of the contract works with increasing profit contribution, and we further undertook a few contracts, including two alterations, addition, and fitting-out works contracts of project B9 — Plumbing and drainage for a school in Lam Tin; and project B6 — Renovation to Vessel Traffic Centre with contract gross margins approaching or exceeding 20%, which were above our average gross margin for all contract activities. The higher gross margin with these contracts also contributed to our growth in net profit margin for the year.

Our net profit margin decreased from approximately 7.8% for the year ended 31 March 2015 to approximately 6.7% for the year ended 31 March 2016. The decrease in net profit margin was mainly attributable to the net effect of lower gross profit margin pertaining to the year ended 31 March 2016 as discussed in the paragraph headed “Period to Period Comparison of Results of Our Operation — Year ended 31 March 2016 compared to year ended 31 March 2015” in this section of the prospectus and also the incurrence of listing expenses of approximately HK\$3.0 million for the year concerned.

Our net profit margin decreased slightly from approximately 6.7% for the year ended 31 March 2016 to approximately 6.3% for the period ended 30 September 2016. Notwithstanding that we managed to derive higher gross profit margin pertaining to certain contracts for the period ended 30 September 2016 such as project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, as discussed in the paragraph headed “Period to Period Comparison of Results of Our Operation — Six months ended 30 September 2016 compared to six months ended 30 September 2015” in this section of the prospectus, the increase in gross profit margin was outpaced by other factors for the period concerned including notably the decline in our Group’s revenue; the recognition of listing expenses of approximately HK\$4.9 million; and the upsurge in our group’s employee benefit expenses, with the resulting overall decrease in net profit margin recorded for the period concerned.

Gearing ratio

Our gearing ratio as at 31 March 2014, 2015, 2016 and 30 September 2016 was approximately 42.9%, 39.5%, 31.5% and 34.6%, respectively. Our gearing ratio continually decreased over the three years ended 31 March 2016 as the total equity of our Group increased notably as we have recorded profit and total comprehensive income attributable to equity holders of our Company of approximately HK\$13.6 million, HK\$22.6 million and HK\$24.3 million for each of the three years ended 31 March 2016, respectively. The increase in our Group’s gearing ratio as at 30 September 2016 over the preceding year was mainly attributable to the combined effect of (i) net cash outflow from operation for the period concerned, as discussed in the paragraph headed “Liquidity and Capital Resources — Cash flows — Net cash generated from/(used in) operating activities” in this section of the prospectus, which simultaneously reduced our Group’s cash and bank balances while increased our Group’s net debt (after deducting cash and bank balances); and (ii) the decrease in the equity base out of dividend declared of approximately HK\$16.8 million for the period concerned.

Debt-to-equity ratio

Moving generally in line with our return on assets, our Group's debt-to-equity ratio were approximately 0.8 times, 0.7 times, 0.5 times and 0.5 times, respectively, as at 31 March 2014, 2015, 2016 and 30 September 2016. Our debt-to-equity ratio generally declined over the three years ended 31 March 2016 for the reason stated of the increase in total equity of our Group as we recorded profit and total comprehensive income over the years. The increase in our Group's debt-to-equity ratio as at 30 September 2016 over the preceding year was mainly attributable to the combined effect of (i) net cash outflow from operation for the period concerned, as discussed in the paragraph headed "Liquidity and Capital Resources — Cash flows — Net cash generated from/ (used in) operating activities" in this section of the prospectus, which simultaneously reduced our Group's cash and bank balances while increased our Group's net debt (after deducing cash and bank balances); and (ii) the decrease in the equity base out of dividend declared of approximately HK\$16.8 million for the period concerned.

Current ratio

The current ratios of our Group as at 31 March 2014, 2015, 2016 and 30 September 2016 were approximately 1.0 times, 1.2 times, 1.3 times and 1.3 times, respectively. Our current ratios were largely driven by net movement in our balance of trade, retention and other receivables, deposits and prepayments, amounts due to and from customers for contract works, trade and other payables and accruals, and our borrowings. The detailed explanation of the aforesaid movement has been set out under the paragraphs headed "Analysis of Selected Combined Balance Sheet Items — Amounts due from/to customers for contract work", "Net Current Assets — Trade and other receivables", "Analysis of Selected Combined Balance Sheet Items — Trade and other payables and accruals" and "Analysis of Selected Combined Balance Sheet Items — Borrowings" in this section of the prospectus.

Interest coverage

Our interest coverage decreased from approximately 16.2 times for the year ended 31 March 2014 to approximately 15.7 times for the year ended 31 March 2015, as our Group's interest-bearing borrowings and obligations under finance leases increased by approximately HK\$10.0 million, from approximately HK\$20.2 million as at 31 March 2014 to approximately HK\$32.2 million as at 31 March 2015.

Our interest coverage increased from approximately 15.7 times for the year ended 31 March 2015 to approximately 18.2 times for the year ended 31 March 2016, mainly because our net profit increased by approximately 7.6%, from approximately HK\$22.6 million for the year ended 31 March 2015 to approximately HK\$24.3 million for the year ended 31 March 2016, while our net interest expense decreased by approximately HK\$0.1 million, mainly because of the netting off of foreign exchange gain for the year concerned.

FINANCIAL INFORMATION

Our interest coverage decreased from approximately 18.2 times for the year ended 31 March 2016 to approximately 12.5 times for the six months ended 30 September 2016, which was mainly due to the decrease in the profit before interest and tax during the period as a result primarily of the recognition of listing expenses and upsurge in employee benefit expenses.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures were financed by finance leases and funded by cash generated from operations. The following table sets out our Group's capital expenditure for the years indicated:

	For the year ended 31 March			For the six months ended 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Land and buildings	—	—	—	—
Leasehold improvements	—	1,254	—	—
Furniture and office equipment	303	245	631	22
Motor vehicles	929	2,172	2,172	1,419
Other equipment	150	273	671	12
	1,382	3,944	3,474	1,453

Our Group's capital expenditure primarily consists of property, plant and equipment. The increase in the capital expenditure of motor vehicle during the Track Record Period was mainly attributable to the commencement of project A2 — Hong Kong, Zhuhai, Macao bridge ancillary building works, which required more use of motor vehicles in view of its larger project scale.

Operating Lease Commitments

Our Group had commitments for future minimum lease payments under non-cancellable operating leases of approximately HK\$707,000, HK\$339,000, HK\$1,222,000 and HK\$9,405,000 under operating leases as at 31 March 2014, 2015 and 2016 and 30 September 2016, respectively, in respect of director's quarter, warehouses and office premises.

Surety Bonds

Certain of our contract customers require our group entities to issue guarantees for the performance of contract work in the form of surety bonds. During the Track Record Period, our Group obtained banking facilities from banks and made cash collaterals to insurance companies for these parties to have issued surety bonds to the customers.

FINANCIAL INFORMATION

As at 31 March 2014, 2015 and 2016 and 30 September 2016, our Group had banking facilities utilised for outstanding surety bonds of approximately HK\$10.8 million, HK\$9.3 million and HK\$11.3 million and HK\$11.1 million, respectively. The banking facilities was secured by (i) our Group's property, plant and equipment with net book value of approximately HK\$8.7 million, HK\$8.4 million, HK\$8.2 million and HK\$8.1 million, respectively; (ii) personal guarantees from Mr. Leung and Mr. Lam; and (iii) properties held by them charge over properties of Mr. Lam's mother and brother situated in Hong Kong.

No amount is actually drawn down by our Group for issuance of the surety bond, i.e. utilisation of the banking facility. Based on the nature of surety bond, there is no financial liability of our Group recognised for surety bond. The surety bonds will be released when the contracts are completed or substantially completed.

The personal guarantees provided by Mr. Leung and Mr. Lam will be released and conditionally replaced by the Company's corporate guarantee upon Listing.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISK FACTORS

Our Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk and foreign currency risk), credit risk and liquidity risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance.

Risk management is carried out by finance department headed by the financial controller of our Group (the "Finance Department"). The Finance Department identifies and evaluates financial risks in close co-operation within our Group to cope with overall risk management, as well as specific areas, such as cash flow and fair value interest rate risk, foreign currency risk, credit risk and liquidity risk.

(a) Cash flow and fair value interest rate risk

Our Group's income and operating cash flows are substantially independent of changes in market interest rates. As our Group has no significant interest-bearing assets, our Group's income and operating cash flows are substantially independent of changes in market interest rates. Our Group's interest rate risk primarily arises from borrowings.

Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on HIBOR and Hong Kong Prime Rate arising from our Groups bank borrowings and bank overdrafts.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, bank borrowings and bank overdrafts outstanding at

FINANCIAL INFORMATION

the end of the reporting period was outstanding for the whole year/period. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 March 2014, 2015, 2016 and 30 September 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase our Group's profit for the year and retained earnings by approximately HK\$75,000, HK\$137,000, HK\$170,000 and HK\$67,000, respectively. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

(b) Foreign currency risk

Most of the income and expenditures of our Group are denominated in HK\$, being the functional currency of the subsidiaries now comprising our Group, and hence, our Group does not have any material foreign exchange exposure. Our Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the year under review. As at 31 March 2014, 2015, 2016 and 30 September 2016, our Group did not have any outstanding hedging instruments.

(c) Credit risk

The credit risk of our Group mainly arises from trade, retention and other receivables and deposits, amounts due from related companies, amounts due from shareholders and bank balances.

Management considers our Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. Our Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

Our Group trades only with recognised and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that our Group's exposure to bad debts is not significant.

Our Group is exposed to concentration of credit risk as at 31 March 2014, 2015, 2016 and 30 September 2016 on trade receivables from our Group's five largest customers amounting to approximately HK\$20.4 million, HK\$28.0 million, HK\$22.2 million and HK\$16.7 million, respectively, and accounted for approximately 75%, 75%, 63% and 68% of the total trade receivables balance, respectively. The major customers of our Group are reputable organisations. Management considers that the credit risk is limited in this regard.

FINANCIAL INFORMATION

For the amounts due from related parties, our Group has policies in place to monitor the credit exposure of the related parties. Our Group will assess the financial capabilities of the related parties including its repayment histories, and its abilities to obtain financial support when necessary. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by the related parties is low.

(d) Liquidity risk

Our 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 shorter and longer term.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, our Group held cash and cash equivalents of approximately HK\$3.7 million, HK\$1.5 million, HK\$7.2 million and HK\$2.3 million, respectively, that were expected to be readily available to generate cash inflows for managing liquidity risk.

Our Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that our Group considers appropriate and long term financing including long-term borrowings are also considered by our Group in its capital structuring. Our Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable our Group to continue its business for the foreseeable future.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, our Group's total available banking facilities amounted to approximately HK\$40.3 million, HK\$51.4 million, HK\$67.1 million and HK\$68.8 million, respectively, of which approximately HK\$33.9 million, HK\$45.3 million, HK\$46.4 million and HK\$52.0 million, respectively, has been utilised.

The table below analyses the non-derivative financial liabilities of our Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date our Group can be required to pay. Balance within 12 months equal their carrying balances as impact from discounting is not significant.

FINANCIAL INFORMATION

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the banks sole discretion, the analysis shows the cash outflow based on the earliest period in which our Group can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effect:

	<u>On demand</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2014						
Trade and other payables and accruals	—	38,645	—	—	—	38,645
Amounts due to related companies	829	—	—	—	—	829
Amount due to a shareholder	191	—	—	—	—	191
Borrowings:						
— principal portion	19,531	—	—	—	—	19,531
Obligations under finance leases	—	229	228	248	—	705
	<u>20,551</u>	<u>38,874</u>	<u>228</u>	<u>248</u>	<u>—</u>	<u>59,901</u>
As at 31 March 2015						
Trade and other payables and accruals	—	55,834	—	—	—	55,834
Amounts due to related companies	2,336	—	—	—	—	2,336
Borrowings:						
— principal portion	30,217	—	—	—	—	30,217
Obligations under finance leases	—	853	698	536	—	2,087
	<u>32,553</u>	<u>56,687</u>	<u>698</u>	<u>536</u>	<u>—</u>	<u>90,474</u>
As at 31 March 2016						
Trade and other payables and accruals	—	62,020	—	—	—	62,020
Amounts due to related companies	1,488	—	—	—	—	1,488
Borrowings:						
— principal portion	35,531	—	—	—	—	35,531
Obligations under finance leases	—	1,233	1,033	787	—	3,053
	<u>37,019</u>	<u>63,253</u>	<u>1,033</u>	<u>787</u>	<u>—</u>	<u>102,092</u>

FINANCIAL INFORMATION

	On demand	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 September 2016						
Trade and other payables and accruals	—	70,414	—	—	—	70,414
Amounts due to related companies	2,026	—	—	—	—	2,026
Amounts due to shareholders	353	—	—	—	—	353
Dividend payable	—	5,776	—	—	—	5,776
Borrowings:						
— principal portion	29,488	—	—	—	—	29,488
Liabilities held for distribution	5,779	—	—	—	—	5,779
Obligations under finance leases	—	1,236	946	641	—	2,823
	<u>37,646</u>	<u>77,426</u>	<u>946</u>	<u>641</u>	<u>—</u>	<u>116,659</u>

FINANCIAL INFORMATION

The table below analyses the bank borrowings of our Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of repayment on demand clause:

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
As at 31 March 2014					
Borrowings:					
— principal portion	11,060	967	5,478	2,026	19,531
— interest portion	384	233	538	213	1,368
	11,444	1,200	6,016	2,239	20,899
As at 31 March 2015					
Borrowings:					
— principal portion	18,085	1,850	8,650	1,632	30,217
— interest portion	665	392	639	159	1,855
	18,750	2,242	9,289	1,791	32,072
As at 31 March 2016					
Borrowings:					
— principal portion	23,927	1,715	8,664	1,225	35,531
— interest portion	629	376	391	117	1,513
	24,556	2,091	9,055	1,342	37,044
As at 30 September 2016					
Borrowings:					
— principal portion	24,336	1,747	3,383	22	29,488
— interest portion	444	210	202	1	857
	24,780	1,957	3,585	23	30,345

DISTRIBUTABLE RESERVES

Our Company was incorporated on 8 June 2016, and as at 30 September 2016, in the opinion of our Directors, there were no reserves available for distribution to our Shareholders.

FINANCIAL INFORMATION

DIVIDEND

For the three years ended 31 March 2016 and the six months ended 30 September 2016, members of our Group declared and paid dividends of approximately HK\$3.2 million, HK\$0.5 million, HK\$6.3 million and HK\$16.8 million, representing approximately 23.6%, 2.2%, 25.6% and 184.4% of the respective year's/period's net profit attributable to shareholders.

The dividends declared for the three years ended 31 March 2016 were dealt with principally by way of set off against amounts due from shareholders in lieu of cash payment.

The dividends declared for the six months ended 30 September 2016 has been dealt with by way of set off against amounts due from shareholders, inclusive of balance arising out of assignment to the shareholders of financial assets at fair value through profit or loss; and related bank borrowings against which the financial assets has been pledged. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payments.

The Company currently does not have a dividend policy and may distribute dividends by way of cash or by other means that the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us; and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for further details.

REASONS FOR THE SHARE OFFER

Our Directors believe that the Listing will enhance our Group's profile and recognition, and the proceeds from the Share Offer will, amongst other things, enlarge our Group's capital base and enable our Group to expand its operation by obtaining the requisite licenses and providing the capital input to taking on upcoming projects; as well as strengthen our Group's financial position. In addition, the Directors are also of the view that the Listing and the Share Offer will provide our Company with additional platform to raise capital for its future business expansion and long-term development, and expand and diversify our Company's capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company.

FINANCIAL INFORMATION

LISTING EXPENSES

The total listing expenses in connection with the Share Offer is estimated to be approximately HK\$27.8 million, based on the mid point of the Offer Price range stated in this prospectus and assuming the Adjustment Options are not exercised, of which approximately HK\$10.6 million is directly attributable to the issue of the Share Offer and to be accounted for as a deduction from equity, approximately HK\$3.0 million and approximately HK\$4.9 million were charged to combined statements of comprehensive income of our Group for the year ended 31 March 2016 and the six months ended 30 September 2016, respectively, and approximately HK\$9.3 million is to be charged to combined statements of comprehensive income of our Group for the remaining period of the year ending 31 March 2017.

NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the incurrence of further listing expenses and the expected increase in staff salaries and allowances and rental expenses for the year ending 31 March 2017, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2016 (being the date to which the latest audited combined financial statements of our Group were made up) up to the date of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

The paragraph headed “Business — Business Strategies” in this prospectus sets out a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Share Offer will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in the paragraph headed “Business — Business Strategies” in this prospectus. As discussed in the section headed “Laws and Regulations” in this prospectus, there is a minimum requirement on our employed capital and working capital for undertaking projects in the public sector in Hong Kong. We may also be required by our customer to provide retention money, which generally will be up to 5% of the total contract sum according to the project terms. It is therefore beneficial to our Group to strengthen its capital base through raising funds under the Share Offer so that our Group will be able to tender and compete for more projects with larger contract sums after Listing.

The table below sets out the estimated net proceeds of the Share Offer which we will receive after deduction of the underwriting fees and commissions and other estimated expenses in connection with the Share Offer:

	Assuming the Adjustment Options are not exercised (HK\$ million)	Assuming either the Offer Size Adjustment Option or Over- allotment Option is exercised in full (HK\$ million)
If the Offer Price is fixed at HK\$0.49 per Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK\$70.2 million	Approximately HK\$84.1 million
If the Offer Price is fixed at HK\$0.6 per Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK\$91.1 million	Approximately HK\$108.2 million
If the Offer Price is fixed at HK\$0.38 per Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK\$49.3 million	Approximately HK\$60.1 million

FUTURE PLANS AND USE OF PROCEEDS

We intend to apply the net proceeds to be raised from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Adjustment Options are not exercised at all and an Offer Price of HK\$0.49, being the mid-point of the Offer Price range, of approximately HK\$70.2 million as follows:

- approximately HK\$33.3 million, representing approximately 47.4% of the net proceeds will be used for financing the capital input and upfront costs (including but not limited to construction material costs and subcontracting costs, equipment and tooling expenses, insurance and sundry site expenses) to upcoming projects with the expected total contract value of approximately HK\$300 million;
- approximately HK\$12.0 million, representing approximately 17.1% of the net proceeds will be used for the purchase of surety bonds, which is a prerequisite to undertake some of the main construction projects in Hong Kong;
- approximately HK\$10.5 million, representing approximately 15.0% of the net proceeds will be used for increasing the employed capital of our Group for obtaining licenses such as Group B (probation) license of Approved Contractors for Public Works — Buildings Category from the WBDB and/or our Group M2 license under the maintenance works category of building contractors from the Housing Authority. For further details on our engagement in applying for more or higher grading licenses, please refer to the section headed “Business — Business Strategies” in this prospectus.
- approximately HK\$4.0 million, representing approximately 5.7% of the net proceeds will be used for repayment of current bank borrowings of our Group to reduce our future finance cost with details set out below:

	Outstanding amount as at 31 January 2017	Annual effective interest rate	Maturity	Usage
Bank borrowing	HK\$4.8 million	3.25%–5.00%	Five years	Financing our Group’s property, plant and equipment

- approximately HK\$3.0 million, representing approximately 4.3% of the net proceeds will be used for employing additional staff, such as project managers, site foremen, quantity surveyors, accounting and administration staff, for the expansion of our business;
- approximately HK\$0.5 million, representing approximately 0.7% of the net proceeds will be used for investing in building information modelling software, which includes upgrading our computer system and software of our Group and to provide necessary training to our staff; and

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$6.9 million or approximately 9.8% of the net proceeds will be used as general working capital of our Group.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range and assuming that neither of the Adjustment Options is exercised, our Group will receive additional net proceeds of the Offer of approximately HK\$20.9 million when compared to the net proceeds receivable by our Group with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range and assuming that neither of the Adjustment Options is exercised, the net proceeds of the Share Offer will decrease by approximately HK\$20.9 million when compared to the net proceeds receivable by our Group with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Group intends to reduce its allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Offer Size Adjustment Option or Over-allotment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK\$13.9 million, assuming an Offer Price of HK\$0.49 per Share, being the mid-point of the Offer Price range stated in this prospectus. The additional net proceeds received from the exercise of the Offer Size Adjustment Option or Over-allotment Option will be applied pro rata to the above mentioned purposes. If the Offer Size Adjustment Option or Over-allotment Option is exercised at the higher or lower end of the Offer Price range stated in this prospectus, we will adjust our allocation of the net proceeds for the above mentioned purposes on a pro rata basis.

To the extent that such net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Ample Orient Capital Limited
Wealth Link Securities Limited
Opus Capital Limited
Aristo Securities Limited
China-Hong Kong Link Securities Company Limited
Convoy Investment Services Limited
Head & Shoulders Securities Limited
Quam Securities Company Limited

PUBLIC OFFER UNDERWRITING ARRANGEMENTS

Public Offer

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 20,000,000 Public Offer Shares for subscription by way of the Public Offer at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (including any additional Shares that may be issued pursuant to the Adjustment Options), and to certain other conditions described in the Public Offer Underwriting Agreement (including the Sole Global Coordinator, for itself and on behalf of the Underwriters, and us agreeing on the Offer Price), the Public Offer Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus and the Application Forms. The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Public Offer Underwriting Agreement or the Placing Underwriting Agreement by any of our Company, our Controlling Shareholders and the executive Directors (collectively, the “**Warrantors**”); or
- (b) any statement contained in the post-hearing information pack, this prospectus, the Application Forms or the formal notice or any announcements in the agreed form issued by our Company in connection with the Public Offer (including any supplement or

UNDERWRITING

amendment thereto) was, has or may become untrue, incorrect or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms or the formal notice are not, in all material respects, fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

- (c) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors pursuant to the indemnities given by them under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable; or
- (d) any breach of any of the obligations of any of the Warrantors under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable; or
- (e) any of the parties listed in the paragraph headed “F. Other Information — 6. Qualifications of experts” in Appendix IV to this prospectus has withdrawn its/his respective consent to the issue of this prospectus with the inclusion of its/his reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its/his name included in the form and context in which it respectively appears; or
- (f) approval in principle from the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares, including any additional Shares issued pursuant to the exercise of the Adjustment Options, the Shares in issue and any Shares which may be issued upon the Capitalisation Issue and upon the exercise of any options which may be granted under the Share Option Scheme, is refused or not granted, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- (g) our Company withdraws any of this prospectus, the Application Forms, or the listing application in respect of the Share Offer; or
- (h) save as disclosed in this prospectus, any material potential litigation, legal proceeding, legal reaction, claim or dispute being threatened or instigated against any member of our Group or any Director, any of the chairman or chief executive officer of our Company vacating his office, or any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory or judicial body of any action against any member of our Group or any Director or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (i) any of the representations, warranties, undertakings given by the Warrantors under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading in any respect; or

UNDERWRITING

- (j) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, the Application Forms and the formal notice or to the issue of any of this prospectus, the Application Forms and the formal notice; or
- (k) there will have developed, occurred, happened or come into effect any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development, concerning or relating to:
 - (i) any local, national, regional or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars against any foreign currencies) in or affecting Hong Kong, the British Virgin Islands or the Cayman Islands or any other jurisdictions where any member of our Group is incorporated (each a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any other Relevant Jurisdiction; or
 - (iii) any condition of the financial markets in any Relevant Jurisdiction or generally in the international equity securities or other financial markets; or
 - (iv) (A) any event or series of events in the nature of force majeure (including, without limitation, acts of government, economic sanctions, strikes or lockouts (whether or not covered by insurance), riots, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease or epidemics, including but not limited to, Severe Acute Respiratory Syndrome and H1N1 or swine or avian influenza or such related/mutated forms of, accident or interruption or delay in transportation), or (B) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other declaration of a national or international state of emergency or calamity or crisis in the case of either (A) or (B), in or affecting any Relevant Jurisdiction; or
 - (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the London Stock Exchange or any PRC stock markets; or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction, declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (vi) any taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vii) any contravention by any member of our Group of the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, any of the Listing Rules or any applicable law or regulation; or
- (viii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the additional Shares that may be allotted and issued by our Company upon the exercise of the Adjustment Options) pursuant to the terms of the Share Offer; or
- (ix) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable law or regulation; or
- (x) the issue or requirement to issue by our Company of a supplementary prospectus Application Forms, pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Share Offer; or
- (xi) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xii) any demand by creditors for repayment of indebtedness or a petition 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
- (xiii) any of the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of our Company or any members of our Group; or
- (xiv) any matter that has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom;

UNDERWRITING

and which, with respect to any of sub-paragraphs (i) through (xiv) above, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters):

- (A) is, will be or may have any material adverse effect or any development involving a prospective material adverse effect, in or affecting the business, general affairs, management, prospects, assets and liabilities, financial position (including, but not limited to, revenue and net profits), shareholders' equity or results of operations of members of our Group, taken as a whole or be materially adverse to any present or prospective shareholder of our Company in its capacity as such; or
- (B) has, will have or may have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or make it impracticable, inadvisable or inexpedient for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer or the Share Offer to be performed or implemented as envisaged; or
- (C) makes or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms or the formal notice; or
- (D) would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) will be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

Undertaking by each of our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange, our Company and the Sponsor that, except pursuant to the Share Offer and the Stock Borrowing Agreement, he will not, and will procure that the relevant registered holder(s) and his associates and companies controlled by him and any nominee or trustee holding in trust for him (collectively the “**relevant person**”) will not:

- (a) within the period commencing on the date of this prospectus and ending on the date which is six months from the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange (“**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (b) within six months commencing on the day immediately following the expiry of the First Six-Month Period (“**Second Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Controlling Shareholders’ Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he, together with the other Controlling Shareholders, collectively would cease to be controlling shareholders (as defined in the Listing Rules) of our Company, or each of Mr. Leung and Mr. Lam or their relevant registered holder(s), or their associates or companies controlled by them collectively would cease to be the largest shareholders of our Company.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange, our Company and the Sponsor that, within the First Six-Month Period and the Second Six-Month Period, he shall:

- (a) when he, or the relevant registered holder(s) pledges/charges any securities of our Company beneficially owned by him in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules (the “**Permissible Pledge**”), immediately inform our Company in writing of such pledge/charge together with the number of such securities in our Company so pledged/charged; and
- (b) when he, or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform our Company in writing of such indications.

Our Company will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERWRITING

LOCK-UP UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken to each of the Sole Global Coordinator, the Joint Bookrunners, the Sponsor and the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer (including pursuant to the Adjustment Options) and the Capitalisation Issue, we will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) and the Sponsor and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement until the expiry of the First Six-Month Period,

- (a) 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, mortgage, assign or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or other 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 any interest therein), or
- (b) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities, or
- (c) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above, or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in sub-paragraph (a), (b) or (c) above,

whether any of the foregoing transactions described in sub-paragraphs (a) to (d) is to be settled by delivery of share capital or such other securities, in cash or otherwise and our Company further agrees that, in the event our Company enters into any of the transactions specified above, or offers to or agrees to or announces any intention to effect any such transaction, after the expiry of the First Six-Month Period, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertaking by each of our Controlling Shareholders

Each of our Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement, has agreed and undertaken to Company, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor and the Public Offer Underwriters that, except pursuant to the Share Offer (including

UNDERWRITING

pursuant to the Adjustment Options) and the Stock Borrowing Agreement and unless in compliance with the requirements of the Listing Rules, he will not, and will procure that the relevant person will not without the prior written consent of the Sole Global Coordinator and the Sponsor,

- (a) at any time from the date of the Public Offer Underwriting Agreement up to and including the expiry date of the First Six-Month Period:
 - (i) offer, accept subscription for, pledge, mortgage, charge, allot, issue, sell, lend, 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, lend, mortgage, assign, make any short sale or otherwise transfer or dispose of (or enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by each of our Controlling Shareholders (including holding as a custodian) or with respect to which such Controlling Shareholder has beneficial ownership (collectively the “**Lock-up Shares**”)). The foregoing restriction is expressly agreed to preclude such Controlling Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than such Controlling Shareholder, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares; or
 - (ii) enter into any swap, derivative, repurchase or mortgage or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (i) or (ii) above; or
 - (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in sub-paragraph (i) or (ii) or (iii) above, whether any such transaction described in sub-paragraph (i) or (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise;

UNDERWRITING

- (b) at any time during the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i) or (a)(ii) or (a)(iii) above or offer 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, any of our Controlling Shareholders will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company;
- (c) until the expiry of the Second Six-Month Period, in the event that any of our Controlling Shareholders enters into any such transactions or offers or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he will not create a disorderly or false market in the securities of our Company; and

Each of our Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement has agreed and undertaken to each of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor and the Public Offer Underwriters that, at any time during the First Six-Month Period or the Second Six-Month Period (where applicable), each of our Controlling Shareholders will and procure that the relevant person will, (i) if he or the relevant person pledges or charges any Shares or other securities of our Company in respect of which he is the beneficial owner, immediately inform our Company, the Sponsor and the Sole Global Coordinator and, if required, the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) if he or the relevant person receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform us, the Sponsor and the Sole Global Coordinator in writing and, if required, the Stock Exchange of any such indication.

PLACING

In connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters and other parties named therein. Under the Placing Underwriting Agreement, the Placing Underwriters will, subject to certain conditions, severally agree to purchase the Placing Shares being offered pursuant to the Placing or procure purchasers for such Placing Shares. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement in the paragraph headed “Lock-up Undertakings Pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that our Company will grant to the Placing Underwriters the Adjustment Options, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters). Please refer to the paragraphs headed “Structure and Conditions of the Share Offer — Offer Size Adjustment Option” and “Structure and Conditions of the Share Offer — Over-allotment Option” for more information.

Potential investors should note that if the Placing Underwriting Agreement is not entered into, or is terminated, the Share Offer will not proceed.

UNDERWRITING

COMMISSION AND EXPENSES

The Public Offer Underwriters will receive an underwriting commission of 5.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer in accordance with the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price for the Placing Shares initially offered under the Placing.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Share Offer are estimated to amount to approximately HK\$27.8 million in total assuming no exercise of the Adjustment Options (based on the mid-point of our indicative price range for the Share Offer).

INDEMNITY

Our Company and each of our Controlling Shareholders have agreed to jointly and severally indemnify the Public Offer Underwriters against certain losses which they may suffer, including losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by us or our Controlling Shareholders or our executive Directors of the Public Offer Underwriting Agreement as the case may be.

UNDERWRITERS' INTEREST IN OUR COMPANY AND SPONSOR'S INDEPENDENCE

Save for its obligations under the relevant Underwriting Agreements or as otherwise disclosed in this prospectus, none of 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 members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. Ample Capital Limited is the Sponsor, and Ample Orient Capital Limited is the Sole Global Coordinator and one of the Joint Bookrunners for the Share Offer. We intend to initially make available up to 200,000,000 Shares under the Share Offer, of which 180,000,000 Shares will be conditionally placed pursuant to the Placing to professional, institutional and other investors and the remaining 20,000,000 Shares will be offered to the public in Hong Kong at the Offer Price under the Public Offer (subject, in each case, to reallocation on the basis described below under the paragraph headed “Public Offer”).

The 200,000,000 Offer Shares initially being offered in the Share Offer will represent 25% of our enlarged issued share capital immediately after completion of the Share Offer, assuming that none of the Adjustment Options is exercised. The Public Offer and Placing arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or apply for or indicate an interest for the Offer Shares under the Placing, but may not apply under both of these methods for the Offer Shares. In other words, you may only receive Offer Shares under either the Public Offer or the Placing, but not under both of these methods. The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Reallocation” below.

PUBLIC OFFER

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Public Offer and the Placing are subject to the conditions set out in “Conditions of the Share Offer” below. The Public Offer Underwriting Agreement and the Placing Underwriting Agreement are expected to be conditional upon each other.

Number of Offer Shares initially offered

The Public Offer is a fully underwritten public offer (subject to satisfaction or waiver of the other conditions set out in the Public Offer Underwriting Agreement and described in “Conditions of the Share Offer” below) for the subscription in Hong Kong of initially 20,000,000 Shares at the Offer Price (representing 10% of the total number of the Offer Shares).

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which 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.

For allocation purposes only, the total number of Public Offer Shares available under the Public Offer (after taking into account a reallocation referred to below) will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Shares with an aggregate subscription price of HK\$5 million or less (excluding the amounts of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% per board lot of 10,000 Shares). The Public Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for our Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% per board lot of 10,000 Shares) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Public Offer Shares in either pool A or pool B but not in both pools. Multiple or suspected multiple applications within pool A or pool B, and between the two pools, and any application for more than the total number of the Public Offer Shares originally allocated to each pool (i.e. 10,000,000 Shares) will be rejected.

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation. If the number of Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, or (iii) 100 times or more of the number of Shares initially available under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, such that the total number of Shares available under the Public Offer will be increased to 60,000,000 Shares (in the case of (i)), 80,000,000 Shares (in the case of (ii)) and 100,000,000 Shares (in the case of (iii)) representing 30%, 40% and 50% of the Offer Shares initially available under the Share Offer, respectively (before any exercise of the Adjustment Options). In each case, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the Placing

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

will be correspondingly reduced in such manner as the Sole Global Coordinator deem appropriate. In addition, the Sole Global Coordinator may, in its sole discretion, allocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application may be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he or she has been or will be placed or allocated Offer Shares under the Placing.

The listing of our Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.6 per Offer Share in addition to any brokerage fee, SFC transaction levy and Stock Exchange trading fee payable on each Share.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Public Offer.

NO OVERSEAS REGISTRATION

The documents issued and to be issued in connection with the Public Offer will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong.

PLACING

The Placing is expected to be fully underwritten by the Placing Underwriters. Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing with, among others, our Controlling Shareholders, the Placing Underwriters and the Sole Global Coordinator. The Placing is subject to the Public Offer becoming unconditional.

Number of Offer Shares initially offered

Subject to reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 180,000,000 Shares, representing 90% of the Offer Shares under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Pursuant to the Placing, 180,000,000 Offer Shares will be conditionally placed on behalf of our Company, by the Placing Underwriters or through selling agents appointed by them. The Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Placing Shares will be determined by the Sole Global Coordinator, and will be effected in accordance with the “book-building” process described in “Pricing of the Share Offer” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell our Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to our Company’s benefit and that of our Shareholders as a whole.

Our Directors, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company will take reasonable steps to identify and reject applicants under the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Offer Shares in the Public Offer.

ADJUSTMENT OPTIONS

In connection with the Share Offer, our Company intends to grant the Offer Size Adjustment Option and the Over-allotment Option to the Placing Underwriters exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters).

Offer Size Adjustment Option

Pursuant to the Offer Size Adjustment Option, if the final Offer Price as agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) is less than HK\$0.5 per Offer Share, such that the size of the Share Offer is less than HK\$100 million, the Sole Global Coordinator has the right, exercisable at any time from the date of the Placing Underwriting Agreement up to 5:00 p.m. on the business day immediately before the date of announcement of the results of allocations and the basis of allocation of the Public Offer Shares to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share at which Offer Shares were initially offered under the Placing, to cover excess demand in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after Listing of our Shares on the Stock Exchange and is not subject to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). Any such additional Shares may be issued to cover any excess demand in the Placing. If the Sole Global Coordinator exercises the Offer Size

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Adjustment Option in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately following completion of the Share Offer and the exercise of the Offer Size Adjustment Option. We will disclose in the announcement of the results of allocations whether or not the Offer Size Adjustment Option has been exercised, if so, to what extent. If the Offer Size Adjustment Option is not exercised at or before 5:00 p.m. on the business day prior to the announcement of results of allocations, the Offer Size Adjustment Option will lapse.

Over-allotment Option

Pursuant to the Over-allotment Option, if the final Offer Price as agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) is HK\$0.5 per Offer Share or more, such that the size of the Share Offer is HK\$100 million or above, the Sole Global Coordinator has the right, exercisable at any time from the Listing Date until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share at which Offer Shares were initially offered under the Placing, to cover over-allocations in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer. The Sole Global Coordinator may, at its option, also cover such over-allocations by purchasing the Offer Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately following completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STOCK BORROWING AGREEMENT

In order to facilitate settlement of over-allocations in connection with the Placing, the Stabilising Manager may enter into the Stock Borrowing Agreement with Mr. Leung if the final Offer Price as agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) is HK\$0.5 per Offer Share or more. If the Stock Borrowing Agreement is entered into and if requested by the Stabilising Manager, Mr. Leung will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 30,000,000 Shares held by him, by way of stock lending, in order to cover over-allocations in connection with the Placing, if any.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, shall provide that:

- such stock borrowing arrangement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- the maximum number of Shares to be borrowed from Mr. Leung under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed may be returned to Mr. Leung or its nominees (as the case may be) within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;
- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable listing rules, laws, rules and regulatory requirements; and
- no payment will be made to Mr. Leung by the Stabilising Manager in relation to such borrowing arrangement.

PRICING OF THE SHARE OFFER

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of Placing Shares 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 the Price Determination Date.

Pricing for the Offer Shares for the purpose of the offerings under the Share Offer will be fixed on the Price Determination Date, when market demand for the Offer Shares will be determined, which is expected to be on or around Wednesday, 29 March 2017, and in any event on or before Thursday, 30 March 2017, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company and the number of Shares to be allocated under offerings will be determined shortly thereafter. If, for any reason, the Offer Price is not agreed by Thursday, 30 March 2017 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The Offer Price will not be more than HK\$0.6 per Offer Share and is expected to be not less than HK\$0.38 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Applicants under the Share Offer must pay, on application, the maximum Offer Price of HK\$0.6 per Offer Share plus 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee amounting to a total of HK\$6,060.46 per board lot of 10,000 Shares. 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. If the Offer Price, as finally determined in the manner described below, is lower than HK\$0.6, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus monies) to successful applicants, without interest. Please refer to “How to Apply for Public Offer Shares” for further details.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Sole Global Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with our Company's consent, reduce the number of Public Offer Shares and/or the indicative Offer Price range 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 case of such a reduction, our Company will, as soon as practicable following the decision to make the reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published at the website of the Stock Exchange (www.hkex.com.hk) and the website of our Company (<http://milestone.hk>) notices of the reduction in the number of Public Offer Shares and/or the indicative Offer Price range. Upon issue of these notices, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator, for itself and on behalf of the Underwriters, and us, will be fixed within this revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Public Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Public Offer. The notices will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. In the absence of any notice of reduction published as described in this paragraph, the Offer Price, if agreed upon between our Company and the Sole Global Coordinator, for itself and on behalf of the Underwriters, will be within the Offer Price range as stated in the prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of the fees and estimated expenses payable by our Company in relation to the Share Offer, assuming the Offer Size Adjustment Option is not exercised) are estimated to be approximately HK\$70.2 million, assuming an Offer Price of HK\$0.49 per Offer Share, being the mid-point of the indicated Offer Price range. Please see the section headed "Future Plans and Use of Proceeds" in this prospectus for details.

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of Shares available under the Public Offer, are expected to be announced on Thursday, 6 April 2017 at the website of the Stock Exchange at www.hkex.com.hk and the website of our Company at <http://milestone.hk>.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

in the initial public offer prices of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, subject to the size of the Share Offer being not less than HK\$100 million, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Ample Orient Capital Limited has been appointed as the Stabilising Manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilisation including the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilising activity is required to be brought to an end within 30 days from the last day for lodging application under the Public Offer which is expected to be on or around Thursday, 27 April 2017.

The possible stabilising action which may be taken by the Stabilising Manager, its affiliates or any person acting for it in connection with the Share Offer may involve (among other things) (i) purchases of Shares, (ii) establishing, hedging and liquidating positions in Shares, (iii) exercising the Over-allotment Option in whole or in part, (iv) stock borrowing and/or (v) offering or attempting to do any of (i), (ii), (iii) or (iv) above.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last day for lodging

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

applications under the Public Offer. After this date, when no further action may be taken to support the price of our Shares, demand for our Shares, and therefore the price of our Shares, could fall;

- the price of any security (including our Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilising period.

Over-allocation

Following any over-allocation of Shares in connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it may cover such over-allocation by, among others, making purchases in the secondary market, selling Shares to liquidate a position held as a result of those purchases, exercising the Over-allotment Option in full or in part, stock borrowing or by any combination of any of the foregoing. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilizing) Rules, as amended and supplemented to from time to time under the SFO.

The number of Shares that may be over-allocated will not be greater than the number of Shares which may be sold upon exercise of the Over-allotment Option, being 30,000,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the Over-allotment Option) and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DEALING

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 7 April 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 7 April 2017. Our Shares will be traded in board lots of 10,000 Shares each.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Offer Shares being offered pursuant to the Share Offer (including the additional Shares which may be made available pursuant to the exercise of the Offer Size Adjustment Option or the Over-allotment Option) (subject only to allotment), and such listing and permission not having been revoked prior to the commencement of dealings in Shares on the Stock Exchange;
- (ii) the Offer Price having been duly agreed on or before the Price Determination Date and in any event no later than Thursday, 30 March 2017; and
- (iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective agreements;

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Public Offer at the websites of the Stock Exchange at www.hkexnews.hk and our Company at <http://milestone.hk> on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Public Offer Shares”. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

We expect to issue share certificates for the Offer Shares on Thursday, 6 April 2017. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 7 April 2017 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Public Offer Underwriting Arrangements — Grounds for termination” has not been exercised.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S; and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or have indicated an interest in any Placing Shares under the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, either (i) use a **WHITE** Application Form or (ii) apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) use a **YELLOW** Application Form or (ii) give **electronic application instructions** to HKSCC via CCASS.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 22 March 2017 to 12:00 noon on Tuesday, 28 March 2017 from:

- (i) any of the following offices of the Public Offer Underwriters:

Ample Orient Capital Limited

Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

Wealth Link Securities Limited

Unit B1, 5/F, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Opus Capital Limited

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

Aristo Securities Limited

Room 101, 1st Floor, On Hong Commercial Building
145 Hennessy Road
Wan Chai
Hong Kong

China-Hong Kong Link Securities Limited

17/F
80 Gloucester Road
Wan Chai
Hong Kong

Convoy Investment Services Limited

21/F, Tesbury Centre
24–32 Queen's Road East
Wan Chai
Hong Kong

Head & Shoulders Securities Limited

Room 2511, 25/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Quam Securities Company Limited

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

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Ma Tau Kok Road Branch	39–45 Ma Tau Kok Road, To Kwa Wan
New Territories	Fo Tan Branch	No 2, 1/F, Shatin Galleria, 18–24 Shan Mei Street, Fo Tan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 22 March 2017 until 12:00 noon on Tuesday, 28 March 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

The completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to **BANK OF CHINA (HONG KONG) NOMINEES LIMITED — MILESTONE BUILDER 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:

- Wednesday, 22 March 2017 — 9:00 a.m. to 5:00 p.m.
- Thursday, 23 March 2017 — 9:00 a.m. to 5:00 p.m.
- Friday, 24 March 2017 — 9:00 a.m. to 5:00 p.m.
- Saturday, 25 March 2017 — 9:00 a.m. to 1:00 p.m.
- Monday, 27 March 2017 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 28 March 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open between 11:45 a.m. and 12:00 noon on Tuesday, 28 March 2017, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section of the prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, 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 and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sponsor, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor and the Underwriters nor any of their

HOW TO APPLY FOR PUBLIC OFFER SHARES

respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to deposit any share certificate(s) into CCASS and/or to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen 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, 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 for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “2. Who can apply” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 22 March 2017 until 11:30 a.m. on Tuesday, 28 March 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 28 March 2017 or such later time under the paragraph headed “10. Effects of Bad Weather on the Opening of the Applications Lists” in this section of the prospectus.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor, 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 Sponsor, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for Public Offer Shares;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, 22 March 2017 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 23 March 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 24 March 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Saturday, 25 March 2017 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
- Monday, 27 March 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Tuesday, 28 March 2017 — 8:00 a.m.⁽¹⁾ 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.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 22 March 2017 until 12:00 noon on Tuesday, 28 March 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 28 March 2017, the last application day or such later time as described in the paragraph “10. Effect of Bad Weather on the Opening of the Application Lists” in this section of the prospectus.

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

HOW TO APPLY FOR PUBLIC OFFER SHARES

under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance)).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 28 March 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

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, please see the paragraph headed “Structure and Conditions of the Share Offer — Pricing of the Share Offer” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 28 March 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 28 March 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 6 April 2017 (i) in South China Morning Post (in English); (ii) in Hong Kong Economic Times (in Chinese); (iii) on our Company’s website at <http://milestone.hk>; and (iv) the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) 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 Company’s website at <http://milestone.hk> and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 6 April 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 6 April 2017 to 12:00 midnight on Wednesday, 12 April 2017;
- by telephone enquiry line by calling 852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 6 April 2017 to Tuesday, 11 April 2017 (excluding Saturday, Sunday and Hong Kong Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 6 April 2017 to Saturday, 8 April 2017 at all receiving bank’s designated branches.

HOW TO APPLY FOR 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 the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing 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 **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- 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
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.6 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 6 April 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES/E-AUTO REFUND PAYMENT INSTRUCTIONS

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 6 April 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 7 April 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from 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, 6 April 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 6 April 2017, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. 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, 6 April 2017, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 6 April 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than 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 will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 April 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate 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, 6 April 2017, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 6 April 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(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, 6 April 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Thursday, 6 April 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 April 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 6 April 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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, 6 April 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

22 March 2017

The Directors
Milestone Builder Holdings Limited

Ample Capital Limited

Dear Sirs,

We report on the financial information of Milestone Builder Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 March 2014, 2015 and 2016 and 30 September 2016, the balance sheet of the Company as at 30 September 2016, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 22 March 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 8 June 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 18 November 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

No statutory audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The statutory audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1.3 of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1.3 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the financial position of the Company as at 30 September 2016 and of the combined financial position of the Group as at 31 March 2014, 2015 and 2016 and 30 September 2016 and of the Group's combined financial performance and cash flows for the Relevant Periods.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to III below included in Appendix I to the Prospectus which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the six months ended 30 September 2015 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 1.3 of Section II below and the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 1.3 of Section II below and the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2014, 2015 and 2016 and 30 September 2016 and for each of the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016 (the "Financial Information"), presented on the basis set out in Note 1.3 below.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 March			Six months ended 30 September	
		2014	2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
Revenue	6	187,795	289,856	361,427	164,212	145,091
Cost of sales	8	<u>(160,655)</u>	<u>(245,684)</u>	<u>(307,146)</u>	<u>(147,758)</u>	<u>(115,442)</u>
Gross profit		27,140	44,172	54,281	16,454	29,649
Other income	6	295	434	407	196	462
Other gains/(losses), net	7	1,403	1,252	(99)	(523)	766
Administrative expenses	8	<u>(11,701)</u>	<u>(17,077)</u>	<u>(23,237)</u>	<u>(8,796)</u>	<u>(17,961)</u>
Operating profit		<u>17,137</u>	<u>28,781</u>	<u>31,352</u>	<u>7,331</u>	<u>12,916</u>
Finance income	10	6	47	60	20	31
Finance costs	10	<u>(1,189)</u>	<u>(2,075)</u>	<u>(1,760)</u>	<u>(907)</u>	<u>(1,066)</u>
Finance costs, net		<u>(1,183)</u>	<u>(2,028)</u>	<u>(1,700)</u>	<u>(887)</u>	<u>(1,035)</u>
Profit before income tax		15,954	26,753	29,652	6,444	11,881
Income tax expense	11	<u>(2,372)</u>	<u>(4,156)</u>	<u>(5,344)</u>	<u>(1,081)</u>	<u>(2,793)</u>
Profit and total comprehensive income attributable to owners of the Company for the year/ period		<u>13,582</u>	<u>22,597</u>	<u>24,308</u>	<u>5,363</u>	<u>9,088</u>
Earnings per share attributable to owners of the Company for the year/ period						
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

COMBINED BALANCE SHEETS

	Note	As at 31 March			As at
		2014	2015	2016	30 September
		HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000	
ASSETS					
Non-current assets					
Property, plant and equipment	13	10,393	13,041	14,075	13,618
Deferred income tax assets	25	63	27	199	62
Financial assets at fair value through profit or loss	15	7,557	10,795	10,696	—
Long-term deposits and prepayments	16	187	334	167	769
		<u>18,200</u>	<u>24,197</u>	<u>25,137</u>	<u>14,449</u>
Current assets					
Trade, retention and other receivables, deposits and prepayments	16	44,526	62,049	65,666	55,798
Amounts due from customers for contract works	17	20,530	38,458	50,619	90,189
Amounts due from related companies	30	2,016	3,552	3,541	4,421
Amounts due from shareholders	30	665	12,786	10,123	—
Current income tax recoverable		720	2,622	4,442	2,180
Pledged deposits	18	500	500	500	500
Cash and cash equivalents (excluding bank overdrafts)	18	6,853	5,966	11,544	5,424
		<u>75,810</u>	<u>125,933</u>	<u>146,435</u>	<u>158,512</u>
Non-current assets held for distribution	19	—	—	—	11,440
		<u>75,810</u>	<u>125,933</u>	<u>146,435</u>	<u>169,952</u>
Total assets		<u>94,010</u>	<u>150,130</u>	<u>171,572</u>	<u>184,401</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Combined share capital	20	4,360	4,790	4,790	4,790
Reserves	21	13,376	35,473	53,441	45,771
Total equity		<u>17,736</u>	<u>40,263</u>	<u>58,231</u>	<u>50,561</u>

	Note	As at 31 March			As at
		2014	2015	2016	30 September
		HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000	
LIABILITIES					
Non-current liabilities					
Obligations under finance leases	22	456	1,192	1,653	1,524
Deferred income tax liabilities	25	118	384	471	791
		<u>574</u>	<u>1,576</u>	<u>2,124</u>	<u>2,315</u>
Current liabilities					
Trade and other payables and accruals	23	38,961	56,245	62,245	72,862
Amounts due to customers for contract work	17	15,388	16,225	10,663	14,081
Amounts due to related companies	30	829	2,336	1,488	2,026
Amounts due to shareholders	30	191	—	—	353
Dividend payable	19	—	—	—	5,776
Current income tax payables		593	2,475	154	15
Borrowings	24	19,531	30,217	35,531	29,488
Current portion of obligations under finance leases	22	207	793	1,136	1,145
		<u>75,700</u>	<u>108,291</u>	<u>111,217</u>	<u>125,746</u>
Liabilities held for distribution	19	—	—	—	5,779
		<u>75,700</u>	<u>108,291</u>	<u>111,217</u>	<u>131,525</u>
Total liabilities		<u>76,274</u>	<u>109,867</u>	<u>113,341</u>	<u>133,840</u>
Total equity and liabilities		<u>94,010</u>	<u>150,130</u>	<u>171,572</u>	<u>184,401</u>
Net current assets		<u>110</u>	<u>17,642</u>	<u>35,218</u>	<u>38,427</u>
Total assets less current liabilities		<u>18,310</u>	<u>41,839</u>	<u>60,355</u>	<u>52,876</u>

BALANCE SHEET

	<i>Note</i>	As at 30 September 2016 <u>HK\$'000</u>
ASSETS		
Non-current assets		
Investments in subsidiaries		----- <u>—</u>
Current assets		
Prepayments	16	<u>2,512</u>
Total assets		<u><u>2,512</u></u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital		<u>—</u>
Total equity		----- <u>—</u>
LIABILITY		
Current liability		
Amount due to a subsidiary	32	<u>2,512</u>
Total liability		----- <u>2,512</u>
Total equity and liability		<u><u>2,512</u></u>
Net current assets		<u><u>—</u></u>
Total assets less current liabilities		<u><u>—</u></u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company		
	Combined share capital	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2013	4,360	2,997	7,357
Comprehensive income			
Profit for the year	—	13,582	13,582
Total comprehensive income	—	13,582	13,582
Transactions with owners			
Dividends (<i>Note 26</i>)	—	(3,203)	(3,203)
Total transactions with owners, recognised directly in equity	—	(3,203)	(3,203)
Balance at 31 March 2014	<u>4,360</u>	<u>13,376</u>	<u>17,736</u>
Balance at 1 April 2014	4,360	13,376	17,736
Comprehensive income			
Profit for the year	—	22,597	22,597
Total comprehensive income	—	22,597	22,597
Transactions with owners			
Issuance of shares	430	—	430
Dividends (<i>Note 26</i>)	—	(500)	(500)
Total transactions with owners, recognised directly in equity	<u>430</u>	<u>(500)</u>	<u>(70)</u>
Balance at 31 March 2015	<u>4,790</u>	<u>35,473</u>	<u>40,263</u>
Balance at 1 April 2015	4,790	35,473	40,263
Comprehensive income			
Profit for the year	—	24,308	24,308
Total comprehensive income	—	24,308	24,308
Transactions with owners			
Dividends (<i>Note 26</i>)	—	(6,340)	(6,340)
Total transactions with owners, recognised directly in equity	—	(6,340)	(6,340)
Balance at 31 March 2016	<u>4,790</u>	<u>53,441</u>	<u>58,231</u>

	Attributable to owners of the Company		
	Combined share capital	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2016	4,790	53,441	58,231
Comprehensive income			
Profit for the period	—	9,088	9,088
Total comprehensive income	—	9,088	9,088
Transactions with owners			
Dividends (<i>Note 26</i>)	—	(16,758)	(16,758)
Total transactions with owners, recognised directly in equity	—	(16,758)	(16,758)
Balance at 30 September 2016	<u>4,790</u>	<u>45,771</u>	<u>50,561</u>
(Unaudited)			
Balance at 1 April 2015	4,790	35,473	40,263
Comprehensive income			
Profit for the period	—	5,363	5,363
Total comprehensive income	—	5,363	5,363
Balance at 30 September 2015	<u>4,790</u>	<u>40,836</u>	<u>45,626</u>

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March			Six months ended 30 September	
		2014	2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities						
Net cash generated from/(used in)						
operations	27	10,628	10,876	17,650	21,124	(2,983)
Income tax paid		(2,151)	(3,874)	(9,570)	—	(213)
Net cash generated from/(used in) operating activities		<u>8,477</u>	<u>7,002</u>	<u>8,080</u>	<u>21,124</u>	<u>(3,196)</u>
Cash flows from investing activities						
Purchase of key management insurance contracts		(6,071)	(2,028)	—	—	—
Purchase of property, plant and equipment		(645)	(1,860)	(1,442)	(134)	(596)
Prepayments made for purchase of property, plant and equipment		—	(251)	—	—	—
Proceeds from disposal of property, plant and equipment	27	52	89	—	—	449
Cash advances to shareholders		(3,485)	(12,362)	(3,677)	(2,508)	(506)
Interest received		6	47	60	20	31
Net cash used in investing activities		<u>(10,143)</u>	<u>(16,365)</u>	<u>(5,059)</u>	<u>(2,622)</u>	<u>(622)</u>
Cash flows from financing activities						
Interest paid for bank borrowings		(1,051)	(1,835)	(1,694)	(911)	(1,061)
Proceed from bank borrowings		29,422	48,841	60,881	17,040	64,093
Repayment of bank borrowings		(26,576)	(39,455)	(55,454)	(28,027)	(63,175)
Repayment of finance lease obligations		(276)	(805)	(1,063)	(424)	(977)
Proceed from issuance of shares		—	430	—	—	—
Net cash generated from/(used in) financing activities		<u>1,519</u>	<u>7,176</u>	<u>2,670</u>	<u>(12,322)</u>	<u>(1,120)</u>
Net (decrease)/increase in cash and cash equivalents		(147)	(2,187)	5,691	6,180	(4,938)
Cash and cash equivalents at beginning of the year/period		3,871	3,724	1,537	1,537	7,228
Cash and cash equivalents at end of year/period		<u>3,724</u>	<u>1,537</u>	<u>7,228</u>	<u>7,717</u>	<u>2,290</u>
Analysis of the bank balances of cash and cash equivalents						
Bank balances and cash	18	6,853	5,966	11,544	11,685	5,424
Bank overdrafts	24	(3,129)	(4,429)	(4,316)	(3,968)	(3,134)
		<u>3,724</u>	<u>1,537</u>	<u>7,228</u>	<u>7,717</u>	<u>2,290</u>

II. NOTES TO THE COMBINED FINANCIAL INFORMATION**1 GENERAL INFORMATION OF THE GROUP, REORGANISATION AND BASIS OF PRESENTATION****1.1 General information of the Group**

Milestone Builder Holdings Limited (“the Company”) was incorporated in the Cayman Islands on 8 June 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, the Cayman Islands.

The Company is an investment holding company and the subsidiaries now comprising the Group provides (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings in Hong Kong (the “Listing Business”).

The Financial Information is presented in thousands of Hong Kong dollars (“HK\$’000”) unless otherwise stated.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the Listing Business was carried out by Milestone Builder Engineering Limited (“Milestone Builder”), Prime Builder Engineering Limited (“Prime Builder”), Speedy Engineering & Trading Company Limited (“Speedy Engineering”) and Milestone Specialty Engineering Limited (“Milestone Specialty”) (collectively the “Operating Companies”). The Operating Companies were controlled by Mr. K.H. Lam (“Mr. Lam”), Mr. K.F. Leung (“Mr. Leung”), Mr. Aaron Leung and Mr. Lui (collectively the “Controlling Shareholders”), primarily through Milestone Builder and Prime League Holdings Limited (“Prime League”) throughout the Relevant Periods.

In preparing for listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

(i) Incorporation of the Company and intermediate holding companies

On 8 June 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each, with one fully paid share issued to the initial subscriber. On 8 June 2016, the subscriber share was transferred to Mr. Leung at par value of HK\$0.1 and one newly allotted fully paid share was issued to Mr. Lam at par value of HK\$0.1. As a result, the Company is owned as to 50% by Mr. Leung and 50% by Mr. Lam.

On 13 June 2016, Milestone Builder Limited (“Milestone Builder BVI”) and Prime Builder Limited (“Prime Builder BVI”) were incorporated in the British Virgin Islands (“BVI”). On 6 September 2016, Synda Holdings Limited (“Synda”) was incorporated in the BVI. Upon incorporation, each of Milestone Builder BVI, Prime Builder BVI and Synda issued one fully paid share at par value to the Company. As a result, the three BVI companies became wholly-owned subsidiaries of the Company.

(ii) Acquisition of the entire interests in Prime Builder

On 20 September 2016, Milestone Builder, Prime Builder BVI, the Company, Mr. Leung and Mr. Lam entered into a sale and purchase agreement, pursuant to which Prime Builder BVI acquired from Milestone Builder all the issued share capital in Prime Builder in consideration of HK\$8,000 and the Company allotting and issuing 1,011 shares and 1,011 shares to Mr. Leung and Mr. Lam, at par value of HK\$0.1 per share, respectively, which issue and allotment were completed on 18 November 2016. As a result, Prime Builder became an indirect wholly-owned subsidiary of the Company.

(iii) Acquisition of the entire interests in Milestone Builder

On 20 September 2016, Mr. Leung, Mr. Lam, Milestone Builder BVI and the Company entered into a sale and purchase agreement, pursuant to which Milestone Builder BVI acquired from Mr. Leung and Mr. Lam all the issued share capital in Milestone Builder in consideration of the Company allotting and issuing 3,107 shares and 3,107 shares to Mr. Leung and Mr. Lam, credited as fully paid, respectively, which issue and allotment were completed on 18 November 2016. As a result, Milestone Builder became an indirect wholly-owned subsidiary of the Company.

(iv) Acquisition of the entire interest in Speedy Engineering by Synda

On 20 September 2016, Prime League, Synda, the Company, Mr. Leung and Mr. Lam entered into a sale and purchase agreement, pursuant to which Synda acquired from Prime League 55% of the issued share capital in Speedy Engineering in consideration of HK\$1 and the Company allotting and issuing 237 shares and 237 shares to Mr. Leung and Mr. Lam, at par value of HK\$0.1 per share, respectively, which issue and allotment were completed on 18 November 2016.

On 20 September 2016, Mr. Aaron Leung, Synda and the Company entered into a sale and purchase agreement, pursuant to which Synda acquired from Mr. Aaron Leung 45% of the issued share capital in Speedy Engineering in consideration of HK\$1 and the Company allotting and issuing 388 shares to Mr. Aaron Leung, at par value of HK\$0.1 per share, which issue and allotment were completed on 18 November 2016.

As a result of the above reorganisation steps, Speedy Engineering became an indirect wholly-owned subsidiary of the Company.

(v) Acquisition of the entire interest in Milestone Speciality by Synda

On 20 September 2016, Prime League, Synda, the Company, Mr. Leung and Mr. Lam entered into a sale and purchase agreement, pursuant to which Synda acquired from Prime League 90% of the issued share capital in Milestone Speciality in consideration of HK\$1 and the Company allotting and issuing 405 shares and 405 shares to Mr. Leung and Mr. Lam, at par value of HK\$0.1 per share, respectively, which issue and allotment were completed on 18 November 2016.

On 20 September 2016, Mr. Lui, Synda and the Company entered into a sale and purchase agreement, pursuant to which Synda acquired from Mr. Lui 10% of the issued share capital in Milestone Specialty in consideration of HK\$1 and the Company allotting and issuing 90 shares to Mr. Lui, at par value of HK\$0.1 per share, which issue and allotment were completed on 18 November 2016.

As a result of the above reorganisation steps, Milestone Speciality became an indirect wholly-owned subsidiary of the Company.

After the completion of the reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries now comprising the Group:

Company name	Place and date of incorporation/ establishment	Issued and paid up capital	Attributable equity interest of the Group				As at the date of this report	Principal activities/place of operation
			31 March		30 September			
			2014	2015	2016	2016		
Directly owned:								
Milestone Builder BVI (Note (iv))	BVI 13 June 2016	US\$50,000	N/A	N/A	N/A	100%	100%	Investment holding, Hong Kong
Prime Builder BVI (Note (iv))	BVI 13 June 2016	US\$50,000	N/A	N/A	N/A	100%	100%	Investment holding, Hong Kong
Synda (Note (iv))	BVI 6 September 2016	US\$50,000	N/A	N/A	N/A	100%	100%	Investment holding, Hong Kong
Indirectly owned:								
Milestone Builder (Notes (i) and (v))	Hong Kong 5 November 2001	HK\$4,200,000	100%	100%	100%	100%	100%	Provision of general building works and specialist building works, Hong Kong
Prime Builder (Notes (i) and (v))	Hong Kong 3 April 2013	HK\$8,000	100%	100%	100%	100%	100%	Provision of general building works and specialist building works, Hong Kong
Milestone Specialty (Notes (i) and (v))	Hong Kong 28 October 2011	HK\$20,000	100%	100%	100%	100%	100%	Engineering and construction sub-contracting, Hong Kong
Speedy Engineering (Notes (ii) and (v))	Hong Kong 11 November 2008	HK\$570,000	100%	100%	100%	100%	100%	Provision of engineering services, Hong Kong
Spartan Engineering (Macau) Limited (Note (iii))	Macau 17 April 2014	MOP25,000	N/A	100%	100%	100%	100%	Dormant

Notes:

- (i) The statutory financial statements of these subsidiaries now comprising the Group for the years ended 31 March 2014 and 2015 were audited by T.W. To & Co., Certified Public Accountants and Cheng & Cheng Limited, Certified Public Accountants, respectively.
- (ii) The statutory financial statements of this subsidiary now comprising the Group for the year ended 31 December 2013 and for the fifteen months ended 31 March 2015 were audited by T.W. To & Co., Certified Public Accountants and Cheng & Cheng Limited, Certified Public Accountants, respectively.
- (iii) No audited financial statements were issued for this subsidiary now comprising the Group as there is no statutory audit requirement in its place of incorporation.
- (iv) No audited financial statements for these subsidiaries now comprising the Group were available for the years ended 31 March 2014, 2015 and 2016 as they were newly incorporated in 2016.
- (v) The statutory financial statements of these subsidiaries now comprising the Group for the years ended 31 March 2016 were audited by Cheng & Cheng Limited, Certified Public Accountants.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by the Operating Companies. Pursuant to the Reorganisation, the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the combined financial information of the subsidiaries now comprising the Group is presented using the carrying values of the Listing Business for all periods presented. For the purpose of this report, the Financial Information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Intercompany transactions, balances and unrealised gains/losses on transactions between subsidiaries now comprising the Group are eliminated upon combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA and has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning after 1 April 2016, but have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 2 (Amendment)	Share-based payment	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is in the process of assessing the impact of these standards, amendments and interpretations to existing HKFRS and set out below are the expected impact on the Group's financial performance and position:

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in the other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the "hedged ratio" to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The Group considers that there will be no material adverse change in the credit risks in respect of the Group's future financial assets and the adoption of the new expected credit losses model under HKFRS 9 will not have significant impact on its financial performance and position. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified. The adoption of HKFRS 15 will have an impact on the Group's revenue recognition of construction contracts and the Group expects that it may have impact on the amounts and disclosures made in the Group's financial statements and is not yet in a position to provide quantified information. The new standard is not expected to apply until the financial year ended 31 March 2019.

HKFRS 16 “Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in note 2.21 with the Group’s future operating lease commitments, which are not reflected in the combined balance sheets, falling due as follows:

	Year ended 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
No later than 1 year	554	339	840	3,641
Later than 1 year and no later than 5 years	153	—	382	5,764
	<u>707</u>	<u>339</u>	<u>1,222</u>	<u>9,405</u>

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the combined balance sheets. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group’s combined balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the combined balance sheets. As for the financial performance impact in the combined statements of comprehensive income, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year ending 31 March 2020, and management expects the impacts on the Group’s financial results and position upon the adoption of HKFRS 16 are not material.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between subsidiaries now comprising the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Controlling Shareholders that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The combined financial statements are presented in HK\$, which is the Group's and the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and bank balances are presented in the combined statements of comprehensive income within "finance costs, net". All other foreign exchange gains and losses are presented in the combined statements of comprehensive income within "other gains/ (losses), net".

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is 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 repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Land and buildings	Over the unexpired lease terms
Leasehold improvements	Shorter of remaining lease term or 4 years
Furniture and office equipment	4–5 years
Motor vehicles	3–4 years
Other equipment	2–4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “other gains/(losses), net” in the combined statements of comprehensive income.

2.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Non-current assets and liabilities held for distribution

Non-current assets and liabilities are classified as held for distribution when their carrying amount is to be recovered principally through a distribution and the distribution is considered highly probable. Financial assets and liabilities, which are classified as held for distribution, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group acquired certain key management insurance contracts, which include both investment and insurance elements. The investments insurance contracts are initially recognised at the amount of the premium paid and subsequently carried at fair values at the end of each reporting period, with changes in fair values recognised in profit or loss.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise “trade, retention and other receivables and deposits”, “amounts due from related companies”, “amounts due from shareholders”, “pledged deposits” and “cash and cash equivalents (excluding bank overdrafts)” in the combined balance sheets.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair values plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair values, and transaction costs are expensed in the combined statements of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the combined statements of comprehensive income within “other gains/(losses), net” in the period in which they arise.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the combined balance sheets, bank overdrafts are shown within “borrowings” in current liabilities.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair values, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the combined statements of comprehensive income in the year/period in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) *Retirement benefit obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Pension Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined statements of comprehensive income as they become payable in accordance with the rules of the Pension Scheme. The assets of the Pension Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the

employees when contributed to the Pension Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the Pension Scheme.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Revenue from construction contract

A construction contract is defined in HKAS 11 "Construction Contracts", as a contract specifically negotiated for the construction of an asset.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, revenue from construction contract is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as a cost of sales by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage-of completion” method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to work performed up to the end of the reporting period as a percentage of total contract value, or the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year/period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the combined balance sheets, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents liability where the opposite is the case. Progress billings not yet paid by customers and retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Rental income*

Rental income is recognised in the combined statements of comprehensive income on a straight-line basis over the terms of the leases.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to combined statements of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in “obligations under finance leases”. The interest element of the finance cost is charged to the combined statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a finance department headed by the financial controller of the Group (the "Finance Department"). The Finance Department identifies and evaluates financial risks in close co-operation within the Group to cope with overall risk management, as well as specific areas, such as cash flow and fair value interest rate risk, foreign currency risk, credit risk and liquidity risk.

(a) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk primarily arises from borrowings.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year/period and retained earnings by approximately HK\$75,000, HK\$137,000, HK\$170,000, and HK\$67,000 respectively. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

(b) *Foreign currency risk*

Most of the income and expenditures of the Group are denominated in HK\$, being the functional currency of the subsidiaries now comprising the Group, and hence, the Group does not have any material foreign exchange exposure. The Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the year/period under review. As at 31 March 2014, 2015 and 2016 and 30 September 2016, the Group did not have any outstanding hedging instruments.

(c) *Credit risk*

The credit risk of the Group mainly arises from trade, retention and other receivables and deposits, amounts due from related companies, amounts due from shareholders and bank balances.

Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group is exposed to concentration of credit risk as at 31 March 2014, 2015 and 2016 and 30 September 2016 on trade receivables from the Group's top five customers amounting to approximately HK\$20,402,000, HK\$28,036,000, HK\$22,169,000 and HK\$16,656,000 respectively, and accounted for 75%, 75%, 63% and 68% of the total trade receivables balance, respectively. The major customers of the Group are reputable organisations. Management considers that the credit risk is limited in this regard.

For the amounts due from related parties, the Group has policies in place to monitor the credit exposure of the related parties. The Group will assess the financial capabilities of the related parties including its repayment histories, and its abilities to obtain financial support when necessary. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by the related parties is low.

(d) *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 shorter and longer term.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, the Group held cash and cash equivalents of HK\$3,724,000, HK\$1,537,000, HK\$7,228,000 and HK\$2,290,000 respectively, that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, the Group's total available banking facilities amounted to approximately HK\$40,332,000, HK\$51,408,000, HK\$67,139,000, and HK\$68,832,000 respectively, of which approximately HK\$33,868,000, HK\$45,261,000, HK\$46,372,000, and HK\$51,993,000 respectively, has been utilised.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balance within 12 months equal their carrying balances as impact from discounting is not significant.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effect.

	<u>On demand</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2014						
Trade and other payables and accruals	—	38,645	—	—	—	38,645
Amounts due to related companies	829	—	—	—	—	829
Amounts due to shareholders	191	—	—	—	—	191
Borrowings:						
— principal portion	19,531	—	—	—	—	19,531
Obligations under finance leases	—	229	228	248	—	705
	<u>20,551</u>	<u>38,874</u>	<u>228</u>	<u>248</u>	<u>—</u>	<u>59,901</u>
As at 31 March 2015						
Trade and other payables and accruals	—	55,834	—	—	—	55,834
Amounts due to related companies	2,336	—	—	—	—	2,336
Borrowings:						
— principal portion	30,217	—	—	—	—	30,217
Obligations under finance leases	—	853	698	536	—	2,087
	<u>32,553</u>	<u>56,687</u>	<u>698</u>	<u>536</u>	<u>—</u>	<u>90,474</u>
As at 31 March 2016						
Trade and other payables and accruals	—	62,020	—	—	—	62,020
Amounts due to related companies	1,488	—	—	—	—	1,488
Borrowings:						
— principal portion	35,531	—	—	—	—	35,531
Obligations under finance leases	—	1,233	1,033	787	—	3,053
	<u>37,019</u>	<u>63,253</u>	<u>1,033</u>	<u>787</u>	<u>—</u>	<u>102,092</u>
As at 30 September 2016						
Trade and other payables and accruals	—	70,414	—	—	—	70,414
Amounts due to related companies	2,026	—	—	—	—	2,026
Amounts due to shareholders	353	—	—	—	—	353
Dividend payable	—	5,776	—	—	—	5,776
Borrowings:						
— principal portion	29,488	—	—	—	—	29,488
Liabilities held for distribution	5,779	—	—	—	—	5,779
Obligations under finance leases	—	1,236	946	641	—	2,823
	<u>37,646</u>	<u>77,426</u>	<u>946</u>	<u>641</u>	<u>—</u>	<u>116,659</u>

The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2014					
Borrowings:					
— principal portion	11,060	967	5,478	2,026	19,531
— interest portion	<u>384</u>	<u>233</u>	<u>538</u>	<u>213</u>	<u>1,368</u>
	<u>11,444</u>	<u>1,200</u>	<u>6,016</u>	<u>2,239</u>	<u>20,899</u>
As at 31 March 2015					
Borrowings:					
— principal portion	18,085	1,850	8,650	1,632	30,217
— interest portion	<u>665</u>	<u>392</u>	<u>639</u>	<u>159</u>	<u>1,855</u>
	<u>18,750</u>	<u>2,242</u>	<u>9,289</u>	<u>1,791</u>	<u>32,072</u>
As at 31 March 2016					
Borrowings:					
— principal portion	23,927	1,715	8,664	1,225	35,531
— interest portion	<u>629</u>	<u>376</u>	<u>391</u>	<u>117</u>	<u>1,513</u>
	<u>24,556</u>	<u>2,091</u>	<u>9,055</u>	<u>1,342</u>	<u>37,044</u>
As at 30 September 2016					
Borrowings:					
— principal portion	24,336	1,747	3,383	22	29,488
— interest portion	<u>444</u>	<u>210</u>	<u>202</u>	<u>1</u>	<u>857</u>
	<u>24,780</u>	<u>1,957</u>	<u>3,585</u>	<u>23</u>	<u>30,345</u>

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including obligations under finance leases) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the combined balance sheets plus net debt.

As at 31 March 2014, 2015, 2016 and 30 September 2016, the gearing ratios were as follows:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Obligation under finance leases (Note 22)	663	1,985	2,789	2,669
Borrowings (Note 24)	19,531	30,217	35,531	29,488
Less: cash and cash equivalents (Note 18)	(6,853)	(5,966)	(11,544)	(5,424)
Net debt	13,341	26,236	26,776	26,733
Total equity	17,736	40,263	58,231	50,561
Total capital	31,077	66,499	85,007	77,294
Gearing ratio	43%	39%	31%	35%

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including "trade, retention and other receivables and deposits", "amounts due from related companies", "amounts due from shareholders", "pledged deposits" and "cash and cash equivalents (excluding bank overdrafts)"; and financial liabilities including "trade and other payables and accruals", "amounts due to related companies", "amounts due to shareholders", "dividend payable", "borrowings", "liabilities held for distribution" and "obligations under finance leases" approximate their fair values due to their short maturities. The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2014, 2015, 2016 and 30 September 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2014				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted insurance policy investments	<u>—</u>	<u>—</u>	<u>7,557</u>	<u>7,557</u>
As at 31 March 2015				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted insurance policy investments	<u>—</u>	<u>—</u>	<u>10,795</u>	<u>10,795</u>
As at 31 March 2016				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted insurance policy investments	<u>—</u>	<u>—</u>	<u>10,696</u>	<u>10,696</u>
As at 30 September 2016				
Assets				
Non-current assets held for distribution				
— Unlisted insurance policy investments (Note 19)	<u>—</u>	<u>—</u>	<u>11,440</u>	<u>11,440</u>

There were no transfers among levels 1, 2 and 3 during Relevant Periods.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table represents the changes in level 3 instruments for the years ended 31 March 2014, 2015, 2016 and the six months ended 30 September 2015 and 2016.

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
At beginning of the year/period	—	7,557	10,795	10,795	10,696
Additions	6,071	2,028	—	—	—
Fair value gains/(losses) on revaluation recognised in the combined statements of comprehensive income	1,486	1,210	(99)	(523)	744
At end of the year/period	7,557	10,795	10,696	10,272	11,440
Total gains/(losses) for the year/ period included in the combined statements of comprehensive income for assets held at the end of the year/period	1,486	1,210	(99)	(523)	744
Changes in unrealised gains/ (losses) for the year/period included in the combined statements of comprehensive income at the end of the year/ period	1,486	1,210	(99)	(523)	744

These unlisted insurance policy investments in level 3 represent key management insurance contracts. Their fair value is determined by reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. Consideration is also placed on the pattern of crystallising the contracts and surrender charges, if any.

Management estimated the impact of a reasonable change in the unobservable inputs based on valuation performed by an independent qualified actuary.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, it is estimated that a general increase/decrease of 50 basis points in discount rates, with all other variables held constant, would decrease/increase the Group's profit for the year/period and retained earnings by approximately HK\$437,000/510,000.

HK\$572,000/674,000, HK\$486,000/571,000, and HK\$567,000/669,000, respectively. The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in discount rates over the period until the next annual reporting date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(b) Estimation of foreseeable losses in respect of construction works

The Group's management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise subcontracting charges and costs of materials are prepared by management on the basis of quotations provided by the major contractors, suppliers and vendors involved, and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will subject to significant variances and impact the amount of provision of foreseeable losses of construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget.

(c) Impairment of trade and retention receivables

Management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition. Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Controlling Shareholders of the Group. The Controlling Shareholders consider the segment from a business perspective. As the Group has only one operating segment that qualifies as reporting segment under HKFRS 8 and the information that is regularly reviewed by the Controlling Shareholders for the purposes of allocating resources and assessing performance of the operating segment is the combined financial statements of the Group, no separate segmental analysis is presented.

The Controlling Shareholders assess the performance based on a measure of profit after income tax, and consider all business is included in a single operating segment.

Revenue reported in Note 6 below represented transactions with third parties and are reported to the Controlling Shareholders in a manner consistent with that in the combined statements of comprehensive income.

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the Relevant Periods is presented.

The Group is domiciled in Hong Kong. Revenue of HK\$187,795,000, HK\$289,856,000, HK\$361,427,000, HK\$164,212,000 and HK\$145,091,000 are derived from external customers in Hong Kong for the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016, respectively.

For the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016, there were 4, 2, 2, 3 and 2 customers, respectively, which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016, the revenue contributed from each of these customers was as follows:

	Year ended 31 March 2014
	HK\$'000
Customer A	48,816
Customer B	26,750
Customer C	23,920
Customer D	20,785
	Year ended 31 March 2015
	HK\$'000
Customer A	95,667
Customer C	42,756
	Year ended 31 March 2016
	HK\$'000
Customer A	82,974
Customer E	82,714
	Six months ended 30 September 2015
	HK\$'000 (Unaudited)
Customer A	62,458
Customer F	25,134
Customer G	19,955
	Six months ended 30 September 2016
	HK\$'000
Customer E	51,816
Customer H	16,117

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Controlling Shareholders.

6 REVENUE AND OTHER INCOME

The Group's revenue and other income recognised during the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016 are as follows:

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue:					
Building construction services	70,197	88,677	210,976	84,817	99,038
Alteration, addition, fitting-out works and building services	108,049	167,953	120,515	63,407	36,078
Repair and Restoration of historic buildings	9,549	33,226	29,936	15,988	9,975
	<u>187,795</u>	<u>289,856</u>	<u>361,427</u>	<u>164,212</u>	<u>145,091</u>
Other income:					
— Rental income	163	258	195	90	69
— Sundry income	<u>132</u>	<u>176</u>	<u>212</u>	<u>106</u>	<u>393</u>
	<u>295</u>	<u>434</u>	<u>407</u>	<u>196</u>	<u>462</u>

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
(Losses)/gains on disposal of property, plant and equipment	(83)	42	—	—	22
Fair value gains/(losses) on financial assets at fair value through profit or loss (<i>Note 15</i>)	1,486	1,210	(99)	(523)	859
Fair value losses on non-current assets held for distribution (<i>Note 19</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(115)</u>
	<u>1,403</u>	<u>1,252</u>	<u>(99)</u>	<u>(523)</u>	<u>766</u>

8 EXPENSES BY NATURE

Expense included in cost of sales and administrative expenses are analysed as follows:

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Construction cost recognised in cost of sales	160,611	245,575	306,984	147,702	115,301
Auditor's remuneration					
— Audit services	130	190	190	95	95
— Non-audit services	—	—	—	—	—
Depreciation (<i>Note 13</i>)	1,024	1,249	2,440	1,034	1,483
Employee benefit expenses recognised in administrative expenses (including directors' emoluments) (<i>Note 9</i>)	6,481	10,053	10,847	4,737	6,002
Operating lease rentals in respect of car parking spaces, office premises and warehouses	380	571	749	311	471
Entertainment expenses	421	666	1,306	621	1,595
Staff welfare and messing	238	512	161	102	292
Donations	357	—	30	—	—
Motor vehicle expenses	406	675	1,351	595	861
Bank charges	448	540	481	82	336
Office expenses	529	668	838	323	370
Listing expenses	—	—	2,985	—	4,908
Others	1,331	2,062	2,021	952	1,689
Total cost of sales and administrative expenses	172,356	262,761	330,383	156,554	133,403

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Wages, salaries and benefits in kind (including directors' emoluments)	24,386	40,341	57,964	25,269	35,674
Bonuses	2,834	4,452	5,100	—	68
Retirement benefit costs — defined contribution plans	1,194	1,853	2,469	1,081	1,469
	28,414	46,646	65,533	26,350	37,211
Less: amounts included in construction contracts costs or capitalised in work-in-progress	(21,933)	(36,593)	(54,686)	(21,613)	(31,209)
Amounts included in administrative expenses	6,481	10,053	10,847	4,737	6,002

Five highest paid individuals

For the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016, the five individuals whose emoluments were the highest in the Group include 2, 2, 2, 2 and 2 directors, respectively, whose emolument is reflected in the analysis in Note 31. The emoluments paid/payable to the remaining 3, 3, 3, 3 and 3 individuals, respectively, during the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016 are as follows:

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Wages, salaries and benefits in kind	1,538	1,488	1,721	849	1,172
Bonuses	538	754	561	—	—
Retirement benefit costs — defined contribution plans	45	53	54	27	27
	<u>2,121</u>	<u>2,295</u>	<u>2,336</u>	<u>876</u>	<u>1,199</u>

The emoluments of the highest paid individuals fell within the following bands:

Emolument band	Year ended 31 March			Six months ended 30 September	
	Number of individuals				
	2014	2015	2016	2015	2016
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

10 FINANCE INCOME AND COSTS

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Interest income:					
— Bank interest income	<u>6</u>	<u>47</u>	<u>60</u>	<u>20</u>	<u>31</u>
Finance income	<u>6</u>	<u>47</u>	<u>60</u>	<u>20</u>	<u>31</u>
Interest expenses:					
— Borrowings	(1,051)	(1,835)	(1,694)	(874)	(990)
— Obligations under finance lease	(13)	(43)	(86)	(37)	(71)
Foreign exchange (losses)/gain, net	<u>(125)</u>	<u>(197)</u>	<u>20</u>	<u>4</u>	<u>(5)</u>
Finance costs	<u>(1,189)</u>	<u>(2,075)</u>	<u>(1,760)</u>	<u>(907)</u>	<u>(1,066)</u>
Finance costs, net	<u>(1,183)</u>	<u>(2,028)</u>	<u>(1,700)</u>	<u>(887)</u>	<u>(1,035)</u>

11 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the Relevant Periods.

The amount of income tax expenses charged to the combined statements of comprehensive income represents:

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Current tax:					
Hong Kong profits tax on profits for the year/period	2,531	3,854	5,429	982	2,336
Deferred tax (<i>Note 25</i>)	(159)	302	(85)	99	457
Income tax expenses	<u>2,372</u>	<u>4,156</u>	<u>5,344</u>	<u>1,081</u>	<u>2,793</u>

The tax on the Group's profit before income tax differs from the theoretical amount that used arise using the enacted tax rate of the subsidiaries now comprising the Group as follows:

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit before income tax	<u>15,954</u>	<u>26,753</u>	<u>29,652</u>	<u>6,444</u>	<u>11,881</u>
Tax calculated at 16.5%	2,632	4,414	4,893	1,063	1,960
Income not subject to tax	(285)	(279)	—	(78)	(3)
Expenses not deductible for tax purposes	<u>25</u>	<u>21</u>	<u>451</u>	<u>96</u>	<u>836</u>
Income tax expenses	<u>2,372</u>	<u>4,156</u>	<u>5,344</u>	<u>1,081</u>	<u>2,793</u>

12 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as set out in Note 1.3 of this section.

13 PROPERTY, PLANT AND EQUIPMENT

	<u>Land and buildings</u>	<u>Leasehold improvements</u>	<u>Furniture and office equipment</u>	<u>Motor vehicles</u>	<u>Other equipment</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2013						
Cost	9,270	472	877	1,531	26	12,176
Accumulated depreciation	<u>(330)</u>	<u>(118)</u>	<u>(482)</u>	<u>(1,070)</u>	<u>(6)</u>	<u>(2,006)</u>
Net book amount	<u>8,940</u>	<u>354</u>	<u>395</u>	<u>461</u>	<u>20</u>	<u>10,170</u>
Year ended 31 March 2014						
Opening net book amount	8,940	354	395	461	20	10,170
Additions	—	—	303	929	150	1,382
Disposals	—	—	—	(135)	—	(135)
Depreciation (<i>Note 8</i>)	<u>(250)</u>	<u>(118)</u>	<u>(190)</u>	<u>(422)</u>	<u>(44)</u>	<u>(1,024)</u>
Closing net book amount	<u>8,690</u>	<u>236</u>	<u>508</u>	<u>833</u>	<u>126</u>	<u>10,393</u>
Balance at 31 March 2014						
Cost	9,270	472	1,180	1,941	176	13,039
Accumulated depreciation	<u>(580)</u>	<u>(236)</u>	<u>(672)</u>	<u>(1,108)</u>	<u>(50)</u>	<u>(2,646)</u>
Net book amount	<u>8,690</u>	<u>236</u>	<u>508</u>	<u>833</u>	<u>126</u>	<u>10,393</u>
Year ended 31 March 2015						
Opening net book amount	8,690	236	508	833	126	10,393
Additions	—	1,254	245	2,172	273	3,944
Disposals	—	—	—	(47)	—	(47)
Depreciation (<i>Note 8</i>)	<u>(250)</u>	<u>(196)</u>	<u>(222)</u>	<u>(472)</u>	<u>(109)</u>	<u>(1,249)</u>
Closing net book amount	<u>8,440</u>	<u>1,294</u>	<u>531</u>	<u>2,486</u>	<u>290</u>	<u>13,041</u>
Balance at 31 March 2015						
Cost	9,270	1,726	1,425	3,892	449	16,762
Accumulated depreciation	<u>(830)</u>	<u>(432)</u>	<u>(894)</u>	<u>(1,406)</u>	<u>(159)</u>	<u>(3,721)</u>
Net book amount	<u>8,440</u>	<u>1,294</u>	<u>531</u>	<u>2,486</u>	<u>290</u>	<u>13,041</u>
Year ended 31 March 2016						
Opening net book amount	8,440	1,294	531	2,486	290	13,041
Additions	—	—	631	2,172	671	3,474
Depreciation (<i>Note 8</i>)	<u>(250)</u>	<u>(432)</u>	<u>(360)</u>	<u>(1,236)</u>	<u>(162)</u>	<u>(2,440)</u>
Closing net book amount	<u>8,190</u>	<u>862</u>	<u>802</u>	<u>3,422</u>	<u>799</u>	<u>14,075</u>
Balance at 31 March 2016						
Cost	9,270	1,726	2,056	6,064	1,120	20,236
Accumulated depreciation	<u>(1,080)</u>	<u>(864)</u>	<u>(1,254)</u>	<u>(2,642)</u>	<u>(321)</u>	<u>(6,161)</u>
Net book amount	<u>8,190</u>	<u>862</u>	<u>802</u>	<u>3,422</u>	<u>799</u>	<u>14,075</u>

	<u>Land and buildings</u>	<u>Leasehold improvements</u>	<u>Furniture and office equipment</u>	<u>Motor vehicles</u>	<u>Other equipment</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended						
30 September 2016						
Opening net book amount	8,190	862	802	3,422	799	14,075
Additions	—	—	22	1,419	12	1,453
Disposals	—	—	—	(427)	—	(427)
Depreciation (<i>Note 8</i>)	<u>(126)</u>	<u>(216)</u>	<u>(207)</u>	<u>(793)</u>	<u>(141)</u>	<u>(1,483)</u>
Closing net book amount	<u>8,064</u>	<u>646</u>	<u>617</u>	<u>3,621</u>	<u>670</u>	<u>13,618</u>
Balance at 30 September 2016						
Cost	9,270	1,726	2,078	6,723	1,132	20,929
Accumulated depreciation	<u>(1,206)</u>	<u>(1,080)</u>	<u>(1,461)</u>	<u>(3,102)</u>	<u>(462)</u>	<u>(7,311)</u>
Net book amount	<u>8,064</u>	<u>646</u>	<u>617</u>	<u>3,621</u>	<u>670</u>	<u>13,618</u>
(Unaudited)						
Six months ended						
30 September 2015						
Opening net book amount	8,440	1,294	531	2,486	290	13,041
Additions	—	—	29	411	—	440
Depreciation (<i>Note 8</i>)	<u>(125)</u>	<u>(216)</u>	<u>(144)</u>	<u>(493)</u>	<u>(56)</u>	<u>(1,034)</u>
Closing net book amount	<u>8,315</u>	<u>1,078</u>	<u>416</u>	<u>2,404</u>	<u>234</u>	<u>12,447</u>
Balance at 30 September 2015						
Cost	9,270	1,726	1,454	4,303	449	17,202
Accumulated depreciation	<u>(955)</u>	<u>(648)</u>	<u>(1,038)</u>	<u>(1,899)</u>	<u>(215)</u>	<u>(4,755)</u>
Net book amount	<u>8,315</u>	<u>1,078</u>	<u>416</u>	<u>2,404</u>	<u>234</u>	<u>12,447</u>

Depreciation were included in the following categories in the combined statements of comprehensive income:

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Cost of sales	44	109	162	56	141
Administrative expenses	980	1,140	2,278	978	1,342
	<u>1,024</u>	<u>1,249</u>	<u>2,440</u>	<u>1,034</u>	<u>1,483</u>

The Group leases various motor vehicles and other equipment under non-cancellable finance lease agreements. The lease terms are 2 to 4 years and ownership of the assets lie within the Group. As at 31 March 2014, 2015 and 2016 and 30 September 2016, motor vehicles and other equipment of the Group amounting to HK\$744,000, HK\$2,238,000, HK\$3,350,000 and HK\$3,073,000 respectively, were held under finance leases.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, the Group's land and buildings amounting to HK\$8,690,000, HK\$8,440,000, HK\$8,190,000 and HK\$8,064,000, respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in Note 24.

14 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2014			
Assets as per combined balance sheets			
Financial assets at fair value through profit or loss	—	7,557	7,557
Trade, retention and other receivables and deposits	44,696	—	44,696
Amounts due from related companies	2,016	—	2,016
Amounts due from shareholders	665	—	665
Pledged deposits	500	—	500
Cash and cash equivalents (excluding bank overdrafts)	6,853	—	6,853
Total	<u>54,730</u>	<u>7,557</u>	<u>62,287</u>
			Financial liabilities at amortised cost
			HK\$'000
As at 31 March 2014			
Liabilities as per combined balance sheets			
Trade and other payables and accruals			38,645
Amounts due to related companies			829
Amounts due to shareholders			191
Borrowings			19,531
Obligations under finance leases			663
Total			<u>59,859</u>

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2015			
Assets as per combined balance sheets			
Financial assets at fair value through profit or loss	—	10,795	10,795
Trade, retention and other receivables and deposits	61,403	—	61,403
Amounts due from related companies	3,552	—	3,552
Amounts due from shareholders	12,786	—	12,786
Pledged deposits	500	—	500
Cash and cash equivalents (excluding bank overdrafts)	5,966	—	5,966
Total	84,207	10,795	95,002
			Financial liabilities at amortised cost
			HK\$'000
As at 31 March 2015			
Liabilities as per combined balance sheets			
Trade and other payables and accruals			55,834
Amounts due to related companies			2,336
Borrowings			30,217
Obligations under finance leases			1,985
Total			90,372
	Loans and receivables	Financial assets at fair value through profit or loss	Total
	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2016			
Assets as per combined balance sheets			
Financial assets at fair value through profit or loss	—	10,696	10,696
Trade, retention and other receivables and deposits	64,222	—	64,222
Amounts due from related companies	3,541	—	3,541
Amounts due from shareholders	10,123	—	10,123
Pledged deposits	500	—	500
Cash and cash equivalents (excluding bank overdrafts)	11,544	—	11,544
Total	89,930	10,696	100,626

	Financial liabilities at amortised cost
	HK\$'000
As at 31 March 2016	
Liabilities as per combined balance sheets	
Trade and other payables and accruals	62,020
Amounts due to related companies	1,488
Borrowings	35,531
Obligations under finance leases	<u>2,789</u>
Total	<u>101,828</u>

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	HK\$'000	HK\$'000	HK\$'000
As at 30 September 2016			
Assets as per combined balance sheets			
Trade, retention and other receivables and deposits	53,300	—	53,300
Amounts due from related companies	4,421	—	4,421
Pledged deposits	500	—	500
Cash and cash equivalents (excluding bank overdrafts)	5,424	—	5,424
Non-current assets held for distribution (<i>Note 19</i>)	<u>—</u>	<u>11,440</u>	<u>11,440</u>
Total	<u>63,645</u>	<u>11,440</u>	<u>75,085</u>

	Financial liabilities at amortised cost
	HK\$'000
As at 30 September 2016	
Liabilities as per combined balance sheets	
Trade and other payables and accruals	70,414
Amounts due to related companies	2,026
Amounts due to shareholders	353
Dividend payable	5,776
Borrowings	29,488
Obligations under finance leases	2,669
Liabilities held for distribution	<u>5,779</u>
Total	<u>116,505</u>

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March			As at 30 September	
	2014	2015	2016	2016	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Unlisted investments:					
Key management insurance contracts	7,557	10,795	10,696	—	
	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
At beginning of the year/period	—	7,557	10,795	10,795	10,696
Additions	6,071	2,028	—	—	—
Fair value gains/(losses) in the combined statements of comprehensive income	1,486	1,210	(99)	(523)	859
Transfer to non-current assets held for distribution (<i>Note 19</i>)	—	—	—	—	(11,555)
At end of the year/period	7,557	10,795	10,696	10,272	—

Fair value gain or loss on financial assets at fair value through profit or loss was included in other gains/(losses), net (Note 7).

For the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016, the fair values of the key management insurance contracts were estimated by applying the income approach. The valuation was performed by International Valuation Limited, an independent qualified actuary.

16 TRADE, RETENTION AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group			Company	
	As at 31 March			As at	As at
	2014	2015	2016	30 September	30 September
	HK\$'000	HK\$'000	HK\$'000	2016	2016
			HK\$'000	HK\$'000	
Current portion					
Trade receivables (<i>Note (a)</i>)					
— from third party customers	26,905	37,533	34,943	24,665	—
— from a related party (<i>Note 30(d)</i>)	299	—	—	—	—
	27,204	37,533	34,943	24,665	—
Retention receivables (<i>Note (b)</i>)	14,273	20,772	23,460	22,524	—
	41,477	58,305	58,403	47,189	—
Prepayments, deposits and other receivables:					
Prepayments	17	980	338	755	—
Deferred listing expenses	—	—	1,273	2,512	2,512
Deposits	2,378	2,475	3,418	4,246	—
Other receivables	654	289	2,234	1,096	—
	3,049	3,744	7,263	8,609	2,512
	44,526	62,049	65,666	55,798	2,512
Non-current portion					
Long-term deposits and prepayments	187	334	167	769	—
Total	44,713	62,383	65,833	56,567	2,512

The deferred listing expenses are incurred in connection with the listing of the Group and will be deducted from equity upon listing of the Group.

The carrying amounts approximate their fair values. The carrying amounts of the trade and other receivables and deposits are denominated in HK\$.

(a) Trade receivables

The Group's credit terms to trade debtors other than retention receivables are generally 30 days. The ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Less than 30 days	19,565	24,583	27,407	17,832
31-60 days	3,579	5,909	2,340	1,684
61-90 days	869	2,705	327	178
Over 90 days	3,191	4,336	4,869	4,971
	<u>27,204</u>	<u>37,533</u>	<u>34,943</u>	<u>24,665</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, trade receivables of HK\$7,639,000, HK\$12,950,000, HK\$7,536,000, and HK\$6,833,000 respectively were past due but not impaired. The ageing analysis of these trade receivables, based on due date, is as follows:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Overdue:				
Less than 30 days	3,579	5,909	2,340	1,684
31-60 days	869	2,705	327	178
61-90 days	302	1,100	259	275
Over 90 days	2,889	3,236	4,610	4,696
	<u>7,639</u>	<u>12,950</u>	<u>7,536</u>	<u>6,833</u>

(b) Retention receivables

Retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the combined balance sheets, retention receivables were classified as current assets. The ageing analysis of these retention receivables based on the terms of related contracts was as follows:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Will be recovered within twelve months	14,094	20,746	22,750	16,820
Will be recovered more than twelve months after the end of the reporting period	179	26	710	5,704
	<u>14,273</u>	<u>20,772</u>	<u>23,460</u>	<u>22,524</u>

The Group does not hold any collateral as security.

17 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract costs incurred plus recognised profits less recognised losses	379,115	552,680	707,136	884,450
Less: progress billings	<u>(373,973)</u>	<u>(530,447)</u>	<u>(667,180)</u>	<u>(808,342)</u>
Balance at end of year/period	<u>5,142</u>	<u>22,233</u>	<u>39,956</u>	<u>76,108</u>
Analysed for reporting purposes as:				
Amounts due from customers for contract works	20,530	38,458	50,619	90,189
Amounts due to customers for contract works	<u>(15,388)</u>	<u>(16,225)</u>	<u>(10,663)</u>	<u>(14,081)</u>
	<u>5,142</u>	<u>22,233</u>	<u>39,956</u>	<u>76,108</u>

18 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank	6,794	5,347	10,816	4,745
Cash on hand	59	144	242	192
Time deposit with original maturity of less than 3 months	—	475	486	487
Cash and cash equivalents (excluding bank overdrafts)	<u>6,853</u>	<u>5,966</u>	<u>11,544</u>	<u>5,424</u>

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	6,212	5,196	10,748	4,630
Australian dollars	539	475	486	486
US\$	101	62	26	28
Euro	—	231	283	279
Others currencies	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>
	<u>6,853</u>	<u>5,966</u>	<u>11,544</u>	<u>5,424</u>

Cash and cash equivalents and bank overdrafts include the following for the purposes of the combined statements of cash flows:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents (excluding bank overdrafts) in the combined balance sheets	6,853	5,966	11,544	5,424
Less: bank overdrafts (Note 24)	<u>(3,129)</u>	<u>(4,429)</u>	<u>(4,316)</u>	<u>(3,134)</u>
Net cash and cash equivalents in the combined statements of cash flows	<u>3,724</u>	<u>1,537</u>	<u>7,228</u>	<u>2,290</u>

The bank balances generate interest at prevailing market interest rates.

(b) Pledged deposits

As at 31 March 2014, 2015 and 2016 and 30 September 2016, deposits amounted to HK\$500,000, HK\$500,000, HK\$500,000, and HK\$500,000 respectively, were pledged to the facilities granted by bank to the Group, details of which are set out in Note 24.

19 NON-CURRENT ASSETS HELD FOR DISTRIBUTION

On 15 September 2016, Milestone Builder declared an interim dividend of HK\$16,758,000 to its shareholders. As at 30 September 2016, such dividend has been partly set off against amounts due from shareholders of HK\$10,982,000. The remaining dividend payable of HK\$5,776,000 will be dealt with by way of assigning the Group's financial assets at fair value through profit or loss (amounted to HK\$11,555,000); and related bank borrowings (amounted to HK\$5,779,000) against which these financial assets has been pledged, to the shareholders.

Accordingly, management classified the Group's financial assets at fair value through profit or loss as non-current assets held for distribution and the related bank borrowings as liabilities held for distribution as at 30 September 2016, as their fair values would be recovered principally through distribution. The financial assets and the related bank borrowings are available for immediate distribution at their present conditions and such distribution is considered highly probable. The distribution was completed on 14 December 2016.

20 COMBINED SHARE CAPITAL

The Reorganisation has not been completed as at 30 September 2016. For the purpose of this Financial Information, the combined capital in the combined balance sheets as at 31 March 2014, 2015 and 2016 and 30 September 2016 represents the combined share capital of the subsidiaries now comprising the Group after elimination of inter-company investments.

21 RESERVES

The reserve movement of the Group is as follows:

	Retained earnings
	HK\$'000
Balance at 1 April 2013	2,997
Comprehensive income	
Profit for the year	<u>13,582</u>
Total comprehensive income	-----13,582
Transactions with owners	
Dividends (<i>Note 26</i>)	<u>(3,203)</u>
Total transactions with owners, recognised directly in equity	----- <u>(3,203)</u>
Balance at 31 March 2014	<u><u>13,376</u></u>

	<u>Retained earnings</u> HK\$'000
Balance at 1 April 2014	13,376
Comprehensive income	
Profit for the year	<u>22,597</u>
Total comprehensive income	<u>22,597</u>
Transactions with owners	
Dividends (<i>Note 26</i>)	<u>(500)</u>
Total transactions with owners, recognised directly in equity	<u>(500)</u>
Balance at 31 March 2015	<u>35,473</u>
Balance at 1 April 2015	35,473
Comprehensive income	
Profit for the year	<u>24,308</u>
Total comprehensive income	<u>24,308</u>
Transactions with owners	
Dividends (<i>Note 26</i>)	<u>(6,340)</u>
Total transactions with owners, recognised directly in equity	<u>(6,340)</u>
Balance at 31 March 2016	<u>53,441</u>
Balance at 1 April 2016	53,441
Comprehensive income	
Profit for the period	<u>9,088</u>
Total comprehensive income	<u>9,088</u>
Transactions with owners	
Dividends (<i>Note 26</i>)	(16,758)
Total transactions with owners, recognised directly in equity	<u>(16,758)</u>
Balance at 30 September 2016	<u>45,771</u>

	<u>Retained earnings</u>
	<u>HK\$'000</u>
(Unaudited)	
Balance at 1 April 2015	35,473
Comprehensive income	
Profit for the period	<u>5,363</u>
Total comprehensive income	<u><u>5,363</u></u>
Balance at 30 September 2015	<u><u>40,836</u></u>

22 OBLIGATIONS UNDER FINANCE LEASES

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

	<u>Minimum lease payments</u>			
	<u>As at 31 March</u>			<u>As at</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>30 September</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2016</u>
				<u>HK\$'000</u>
Within one year	229	853	1,233	1,236
After 1 year but within 2 years	228	698	1,033	946
After 2 years but within 5 years	<u>248</u>	<u>536</u>	<u>787</u>	<u>641</u>
	705	2,087	3,053	2,823
Less: future finance charges	<u>(42)</u>	<u>(102)</u>	<u>(264)</u>	<u>(154)</u>
Present value of obligations under finance leases	<u><u>663</u></u>	<u><u>1,985</u></u>	<u><u>2,789</u></u>	<u><u>2,669</u></u>

The obligations under finance leases are analysed in the combined balance sheets as follows:

	<u>Present value of minimum lease payments</u>			
	<u>As at 31 March</u>			<u>As at</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>30 September</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2016</u>
				<u>HK\$'000</u>
Within one year	207	793	1,136	1,145
After 1 year but within 2 years	215	666	980	899
After 2 years but within 5 years	<u>241</u>	<u>526</u>	<u>673</u>	<u>625</u>
	663	1,985	2,789	2,669
	<u><u>663</u></u>	<u><u>1,985</u></u>	<u><u>2,789</u></u>	<u><u>2,669</u></u>

The Group leases certain of its property, plant and equipment under finance leases. The original lease term entered by the Group for the leases outstanding as at 31 March 2014, 2015 and 2016 and 30 September 2016 are ranged from 2 to 4 years. The interest rate of each lease contract is fixed at its contract date, and the interest rates of all the obligations under finance leases ranged from 3.7% to 4.1% per annum, 2.9% to 5.8% per annum, 2.9% to 6.2% per annum and 2.9% to 6.2% per annum as at 31 March 2014, 2015 and 2016 and 30 September 2016, respectively.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

23 TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)	28,188	41,329	53,195	46,998
Bills payables (<i>Note (b)</i>)	8,377	9,063	4,783	9,913
	36,565	50,392	57,978	56,911
Other payables and accruals (<i>Note (c)</i>)	2,396	5,853	4,267	15,951
	38,961	56,245	62,245	72,862

Trade and bills payables and other payables and accruals approximate their fair values and are denominated in HK\$.

(a) Trade payables

As at 31 March 2014, 2015 and 2016 and 30 September 2016, the ageing analysis of the trade payables, based on invoice date, is as follows:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1–30 days	21,635	24,621	19,194	12,233
31–60 days	1,307	7,667	13,386	11,234
61–90 days	965	2,248	4,338	5,960
Over 90 days	4,281	6,793	16,277	17,571
	28,188	41,329	53,195	46,998

(b) Bills payables

The balance represents bank acceptance notes with maturity dates within three months.

The maturity profile of the bills payables of the Group is as follows:

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due within 30 days	5,856	3,363	1,598	2,662
Due within 31 to 60 days	—	3,781	2,483	6,405
Due within 61 to 90 days	2,521	1,919	702	846
	8,377	9,063	4,783	9,913

(c) Other payables and accruals

	As at 31 March			As at
				30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued staff costs and pension obligations	1,682	1,788	3,608	6,304
Receipt in advance from customers	316	411	225	2,448
Accrued expenses	365	487	407	489
Accrued listing expenses	—	—	—	3,345
Other payables	33	3,167	27	3,365
	<u>2,396</u>	<u>5,853</u>	<u>4,267</u>	<u>15,951</u>

24 BORROWINGS

	As at 31 March			As at
				30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings	16,402	25,788	31,215	26,354
Bank overdrafts (<i>Note 18</i>)	<u>3,129</u>	<u>4,429</u>	<u>4,316</u>	<u>3,134</u>
	<u>19,531</u>	<u>30,217</u>	<u>35,531</u>	<u>29,488</u>

As at 31 March 2014, 2015 and 2016 and 30 September 2016, the Group's borrowings were repayable as follows:

	As at 31 March			As at
				30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Portion due for repayment within 1 year	11,060	18,085	23,927	24,336
Portion due for repayment after 1 year but within 2 years which contain a repayment on demand clause	967	1,850	1,715	1,747
Portion due for repayment after 2 years but within 5 years which contain a repayment on demand clause	5,478	8,650	8,664	3,383
Portion due for repayment after 5 years which contain a repayment on demand clause	<u>2,026</u>	<u>1,632</u>	<u>1,225</u>	<u>22</u>
	<u>19,531</u>	<u>30,217</u>	<u>35,531</u>	<u>29,488</u>

Bank borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities.

Bank borrowings due for repayment, based on the scheduled repayment dates set out in the loan agreements and without taking into account the effect of any repayment on demand clause are as follows:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
Within 1 year	7,931	13,656	19,611	21,202
Between 1 and 2 years	967	1,850	1,715	1,747
Between 2 and 5 years	5,478	8,650	8,664	3,383
Over 5 years	2,026	1,632	1,225	22
	<u>16,402</u>	<u>25,788</u>	<u>31,215</u>	<u>26,354</u>

As at 31 March 2014, 2015 and 2016 and 30 September 2016, the bank borrowings facilities granted to the Group are secured by the following:

- (a) Joint and several personal guarantees executed by Mr. Leung, Mr. Lam and Mr. Aaron Leung;
- (b) Pledged deposits of HK\$500,000, HK\$500,000, HK\$500,000 and HK\$500,000 respectively (Note 18 (b));
- (c) Financial assets at fair value through profit or loss amounting to HK\$7,557,000, HK\$10,795,000, HK\$10,696,000 and HK\$11,440,000 which has been reclassified as non-current assets held for distribution as at 30 September 2016 (Note 19);
- (d) The Group's land and buildings amounting to HK\$8,690,000, HK\$8,440,000, HK\$8,190,000 and HK\$8,064,000, respectively (Note 13);
- (e) Pledged properties of a related company and of Mr. Lam's family members located in Hong Kong;
- (f) Guarantees executed by the Government under Small and Medium Enterprise Loan Guarantee Scheme; and
- (g) Corporate guarantees executed by subsidiaries now comprising the Group.

The above guarantees given by Mr. Leung, Mr. Lam and Mr. Aaron Leung, pledge of properties of a related company and of Mr. Lam's family members, are to be released and replaced by the guarantees of the Company before listing of the Company. The loan under the Small and Medium Enterprise Loan Guarantee Scheme will be settled before listing.

The pledge of financial assets at fair value through profit or loss being reclassified as non-current assets held for distribution as at 30 September 2016 has been released upon the distribution of the related bank borrowings on 14 December 2016 (Note 19).

The carrying amounts of bank borrowings approximate their fair values.

These borrowing carry floating rates at Prime Rate, Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate ("LIBOR") plus or minus a margin and the exposure of these bank borrowings to interest rate charges and the contractual repricing dates are six months or less. The weighted average interest rates are 4.4%, 4.6%, 4.4% and 4.4% per annum as at 31 March 2014, 2015 and 2016 and 30 September 2016, respectively.

As at 31 March 2014, 2015 and 2016 and 30 September 2016, the exposure of the Group's borrowings to interest rate changes and the contractual repricing date at the end of the year/period are as follows:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
Within 6 months	17,060	28,632	35,202	28,863
Between 6 and 12 months	1,505	447	329	625
Between 1 and 5 years	966	1,138	—	—
	<u>19,531</u>	<u>30,217</u>	<u>35,531</u>	<u>29,488</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
HK\$	15,311	24,437	29,751	29,488
US\$	4,220	5,780	5,780	—
	<u>19,531</u>	<u>30,217</u>	<u>35,531</u>	<u>29,488</u>

As at 31 March 2014, 2015 and 2016 and 30 September 2016, total undrawn bank facilities amounted to approximately HK\$6,464,000, HK\$6,147,000, HK\$20,767,000 and HK\$16,839,000, respectively.

25 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
Deferred income tax assets:				
Recoverable after more than 12 months	<u>63</u>	<u>27</u>	<u>199</u>	<u>62</u>
Deferred income tax liabilities:				
Recoverable after more than 12 months	<u>(118)</u>	<u>(384)</u>	<u>(471)</u>	<u>(791)</u>

The gross movement on the deferred income tax account is as follows:

	As at 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year/period	(214)	(55)	(357)	(357)	(272)
Credited/(charged) to combined statements of comprehensive income	159	(302)	85	(99)	(457)
At end of the year/period	<u>(55)</u>	<u>(357)</u>	<u>(272)</u>	<u>(456)</u>	<u>(729)</u>

The movement in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation	Others	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	(103)	(114)	(217)
(Charged)/credited to the combined statements of comprehensive income	(15)	114	99
At 31 March 2014	<u>(118)</u>	<u>—</u>	<u>(118)</u>
At 1 April 2014	(118)	—	(118)
Charged to the combined statements of comprehensive income	(166)	(100)	(266)
At 31 March 2015	<u>(284)</u>	<u>(100)</u>	<u>(384)</u>
At 1 April 2015	(284)	(100)	(384)
(Charged)/credited to the combined statements of comprehensive income	(187)	100	(87)
At 31 March 2016	<u>(471)</u>	<u>—</u>	<u>(471)</u>
At 1 April 2016	(471)	—	(471)
(Charged)/credited to the combined statements of comprehensive income	(145)	(175)	(320)
At 30 September 2016	<u>(616)</u>	<u>(175)</u>	<u>(791)</u>
(Unaudited)			
At 1 April 2015	(284)	(100)	(384)
(Charged)/credited to the combined statements of comprehensive income	(62)	(43)	(105)
At 30 September 2015	<u>(346)</u>	<u>(143)</u>	<u>(489)</u>

Deferred tax assets	Decelerated tax depreciation	Others	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	3	—	3
Credited to the combined statements of comprehensive income	4	56	60
At 31 March 2014	7	56	63
At 1 April 2014	7	56	63
Credited/(charged) to the combined statements of comprehensive income	20	(56)	(36)
At 31 March 2015	27	—	27
At 1 April 2015	27	—	27
Credited to the combined statements of comprehensive income	24	148	172
At 31 March 2016	51	148	199
At 1 April 2016	51	148	199
(Charged)/credited to the combined statements of comprehensive income	11	(148)	(137)
At 30 September 2016	62	—	62
(Unaudited)			
At 1 April 2015	27	—	27
(Charged)/credited to the combined statements of comprehensive income	6	—	6
At 30 September 2015	33	—	33

As at 31 March 2014, 2015 and 2016 and 30 September 2016, the Group did not have any significant unrecognised deferred tax.

26 DIVIDENDS

No dividend has been declared by the Company since its incorporation.

The dividends declared and paid by the subsidiaries now comprising the Group to their then shareholders during the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016 were as follows:

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Dividends	3,203	500	6,340	—	10,982

Save as disclosed in Note 19, Milestone Builder declared an interim dividend of HK\$16,758,000 on 15 September 2016, of which HK\$10,982,000 has been set off against amounts due from shareholders during the six months ended 30 September 2016. The remaining dividend payable of HK\$5,776,000 will be dealt with by way of assigning the Group's financial assets at fair value through profit or loss (amounted to HK\$11,555,000); and related bank borrowings (amounted to HK\$5,779,000) against which these financial assets has been pledged, to the shareholders.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

27 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Reconciliation of profit before income tax to cash generated from/(used in) operations

	For the year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Cash flows from operating activities					
Profit before income tax	15,954	26,753	29,652	6,444	11,881
Adjustments for:					
Finance income	(6)	(47)	(60)	(20)	(31)
Finance costs	1,064	1,878	1,780	911	1,061
Losses/(gains) on disposal of property, plant and equipment	83	(42)	—	—	(22)
Fair value (gains)/losses on financial assets at fair value through profit or loss	(1,486)	(1,210)	99	523	(859)
Fair value losses on non-current assets held for distribution	—	—	—	—	115
Depreciation of property, plant and equipment	1,024	1,249	2,440	1,034	1,483
	16,633	28,581	33,911	8,892	13,628
Changes in working capital					
Trade and retention receivables	(9,661)	(16,828)	(98)	(12,102)	11,214
Prepayments, deposits and other receivables	(623)	(591)	(3,603)	(5,807)	(1,948)
Amounts due from/to customers for contract works, net	1,451	(17,091)	(17,723)	16,593	(36,152)
Amounts due from related companies	(769)	(1,536)	11	(251)	(880)
Trade payables	11,106	13,827	7,586	8,678	(1,067)
Accruals and other payables	(7,512)	3,457	(1,586)	6,281	11,684
Amounts due to related companies	3	1,057	(848)	(1,160)	538
Net cash generated from/(used in) operations	10,628	10,876	17,650	21,124	(2,983)

In the combined statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Net book amount	135	47	—	—	427
(Losses)/gains on disposal of property, plant and equipment	(83)	42	—	—	22
Proceeds from disposal of property, plant and equipment	52	89	—	—	449

Non-cash transactions

Notes:

- (i) The dividend of HK\$3,203,000 has been settled through offsetting with the amounts due from shareholders for the year ended 31 March 2014.
- (ii) The dividends of HK\$450,000 and HK\$50,000 have been settled through offsetting with amounts due to related companies and amounts due from shareholders, respectively, for the year ended 31 March 2015.
- (iii) The dividend of HK\$6,340,000 has been settled through offsetting with the amounts due from shareholders for the year ended 31 March 2016.
- (iv) The dividend of HK\$10,982,000 has been settled through offsetting with the amounts due from shareholders for the six months ended 30 September 2016.

28 COMMITMENTS

Operating lease commitments — Group company as lessee

The Group leases car parking spaces, office premises and warehouses under non-cancellable operating lease agreements. The lease terms are 2 years, and the lease arrangements are renewable at the end of the lease period at market rate. The lease expenditure charged to the combined statements of comprehensive income during the Relevant Periods is included in Note 8.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	Year ended 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
No later than 1 year	554	339	840	3,641
Later than 1 year and no later than 5 years	153	—	382	5,764
	707	339	1,222	9,405

29 CONTINGENCIES

At 31 March 2014, 2015 and 2016 and 30 September 2016, the Group's contingent liabilities were as follows:

	Year ended 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
Surety bonds (<i>Note</i>)	10,830	9,347	11,335	11,084

Note: As at 31 March 2014, 2015 and 2016 and 30 September 2016, the Group provided guarantees of surety bonds in respect of 2, 2, 3 and 5 construction contracts of the Group in its ordinary course of business, respectively. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

30 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Name of the related party	Relationship with the Group
Frankstone Builder Engineering Limited	Controlled by certain shareholders of the Company
Spartan Construction Materials Limited	Controlled by certain shareholders of the Company
Spartan Lighting Limited	Controlled by certain shareholders of the Company
Prime League Holdings Limited	Controlled by certain shareholders of the Company
Wah Cheong Engineering (H.K.) Limited	Significantly influenced by a shareholder of the Company

(b) Transactions

Save as disclosed elsewhere in the Financial Information, during the Relevant Periods, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 March			Six months ended	
	2014	2015	2016	30 September	
	HK\$'000	HK\$'000	HK\$'000	2015	2016
				HK\$'000	HK\$'000
				(Unaudited)	

*Continuing transactions***Received from related parties:**

Rental income from					
— Spartan Construction					
Materials Limited (<i>Note (i)</i>)	131	156	165	75	54

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Paid to related party for:					
Purchase of materials and consumables from					
— Spartan Construction Materials Limited (<i>Note (ii)</i>)	1,389	850	2,819	706	704
Discontinued transactions					
Paid to related parties for:					
Subcontractor fees paid to					
— Frankstone Builder Engineering Limited (<i>Note (ii)</i>)	—	3,521	2,009	933	658
Purchase of materials and consumables from					
— Spartan Lighting Limited (<i>Note (ii)</i>)	—	475	987	987	—
Received from related party:					
Revenue from construction contracts from					
— Wah Cheong Engineering (H.K.) Limited (<i>Note (ii)</i>)	386	1,649	6,564	714	6,427
Reimbursement of administrative expenses from					
— Frankstone Builder Engineering Limited (<i>Note (ii)</i>)	—	56	1	1	—

Notes:

- (i) The rental income was determined based on terms mutually agreed between parties involved.
- (ii) The pricing of these transactions was determined based on mutual negotiation between the Group and the related parties.

(c) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	For the year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Salaries, allowances and benefits in kind	4,287	4,541	5,135	2,051	2,812
Retirement benefit costs — defined contribution plans	63	73	95	39	63
	<u>4,350</u>	<u>4,614</u>	<u>5,230</u>	<u>2,090</u>	<u>2,875</u>

(d) Balances

	As at 31 March			As at 30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables from a related party (Note 16)				
Wah Cheong Engineering (H.K.) Limited	<u>299</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amounts due from related companies				
Frankstone Builder Engineering Limited	—	—	46	325
Spartan Construction Materials Limited	2,013	2,786	2,489	3,192
Spartan Lighting Limited	<u>3</u>	<u>766</u>	<u>1,006</u>	<u>904</u>
	<u>2,016</u>	<u>3,552</u>	<u>3,541</u>	<u>4,421</u>
Amounts due from shareholders				
Mr. Lam	307	6,129	4,891	—
Mr. Leung	308	6,130	4,892	—
Mr. Aaron Leung	—	400	130	—
Mr. Lui	<u>50</u>	<u>127</u>	<u>210</u>	<u>—</u>
	<u>665</u>	<u>12,786</u>	<u>10,123</u>	<u>—</u>
Maximum amount outstanding during the year/period	<u>665</u>	<u>12,786</u>	<u>12,786</u>	<u>10,123</u>

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Amounts due to related companies				
Frankstone Builder Engineering Limited	—	(974)	(656)	(919)
Prime League Holdings Limited	(826)	(1,276)	(826)	(826)
Spartan Construction Materials Limited	(3)	(50)	(6)	(281)
Spartan Lighting Limited	—	(36)	—	—
	<u>(829)</u>	<u>(2,336)</u>	<u>(1,488)</u>	<u>(2,026)</u>
Amounts due to shareholders				
Mr. Lam	—	—	—	(46)
Mr. Leung	—	—	—	(46)
Mr. Aaron Leung	(191)	—	—	(261)
	<u>(191)</u>	<u>—</u>	<u>—</u>	<u>(353)</u>

Except for the trade receivables from a related party (Note 16), the balances due from/(to) the above related parties were unsecured, interest free, repayable on demand and denominated in HK\$.

(e) Guarantees by directors

The banking facilities were supported by personal guarantees provided by the directors of the Company to the extent as follows:

	As at 31 March			As at
	2014	2015	2016	30 September
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Mr. Leung and Mr. Lam	<u>42,075</u>	<u>53,070</u>	<u>71,856</u>	<u>78,109</u>

The above guarantees given by Mr. Leung and Mr. Lam are to be released and replaced by guarantees of the Company before listing of the Company.

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 March 2014:

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors									
Mr. Leung	514	—	—	—	468	—	—	—	982
Mr. Lam	514	—	—	—	488	—	—	—	1,002
Total	1,028	—	—	—	956	—	—	—	1,984

The remuneration of every director and the chief executive is set out below:

For the year ended 31 March 2015:

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors									
Mr. Leung	550	—	—	—	506	—	—	—	1,056
Mr. Lam	550	—	—	—	237	—	—	—	787
Total	1,100	—	—	—	743	—	—	—	1,843

The remuneration of every director and the chief executive is set out below:

For the year ended 31 March 2016:

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors									
Mr. Leung	620	—	—	—	507	—	—	—	1,127
Mr. Lam	620	—	—	—	261	—	—	—	881
Total	1,240	—	—	—	768	—	—	—	2,008

For six months ended 30 September 2015:
(Unaudited)

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors									
Mr. Leung	300	—	—	—	250	—	—	—	550
Mr. Lam	300	—	—	—	127	—	—	—	427
Total	600	—	—	—	377	—	—	—	977

For six months ended 30 September 2016:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of office as director HK\$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK\$'000	Total HK\$'000
Executive directors									
Mr. Leung	360	—	—	—	258	—	—	—	618
Mr. Lam	360	—	—	—	170	—	—	—	530
Total	720	—	—	—	428	—	—	—	1,148

Mr. Poon Man Hong, Mr. Keung Kwok Hung and Ms. Lau Suk Han were appointed as the Company's independent non-executive directors on 13 March 2017. During the Relevant Periods, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of independent non-executive directors.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Relevant Periods.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Relevant Periods.

(d) Consideration provided to third parties for making available directors' services

During the Relevant Periods, the Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 30 of this report, there are no loans, quasi-loans and other dealing in favour of directors, controlling bodies corporate by and connected entities with such directors during the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016.

32 AMOUNT DUE TO A SUBSIDIARY

	<u>Company</u>
	<u>As at</u>
	<u>30 September</u>
	<u>2016</u>
	<u>HK\$'000</u>
Current:	
Amount due to a subsidiary	<u>2,512</u>

The carrying amount of the amount due to a subsidiary of the Company is denominated in HK\$.

Amount due to a subsidiary is unsecured, interest-free and repayable on demand.

33 SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 30 September 2016:

- (i) The Reorganisation was completed on 18 November 2016 and the details are summarised in note 1.2.
- (ii) By a shareholder's resolution dated 13 March 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional 1,996,200,000 shares of HK\$0.10 each.
- (iii) By a shareholder's resolution dated 13 March 2017 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 599,990,000 shares, credited as fully paid, to the existing shareholders of the Company, by way of capitalisation of HK\$59,999,000 standing to the credit of our Company's share premium account.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 30 September 2016 and up to the date of this report. Except as disclosed in Note 19 and Note 26 in Section II, no dividend or distribution has been declared, made or paid by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 30 September 2016.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
 Hong Kong

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer on the net tangible assets of the Group attributable to the equity holders of the Company as of 30 September 2016 as if the Share Offer had taken place on 30 September 2016.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 September 2016 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2016 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2016 ⁽¹⁾ HK\$'000	Estimated net proceeds from the Share Offer ⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2016 HK\$'000	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾ HK\$
Based on an Offer Price of HK\$0.38 per Share	50,561	57,175	107,736	0.13
Based on an Offer Price of HK\$0.60 per Share	50,561	98,975	149,536	0.19

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2016 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 30 September 2016 of HK\$50,561,000.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.38 and HK\$0.60 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK\$7.9 million which have been recognised prior to 30 September 2016) payable by the Company and takes no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 800,000,000 Shares were in issue assuming that the Share Offer and Capitalisation Issue had been completed on 30 September 2016 but takes no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option, any exercise of the options to be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issue Mandate and Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2016.

B. ACCOUNTANT’S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Milestone Builder Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Milestone Builder Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 September 2016, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 22 March 2017, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group’s financial position as at 30 September 2016 as if the proposed initial public offering had taken place at 30 September 2016. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the period ended 30 September 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 Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 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 plans and performs 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 entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 March 2017

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 8 June 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (“**Memorandum**”) and its Amended and Restated Articles of Association (“**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 13 March 2017 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation,

by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *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 of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise

agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect

of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

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.

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.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any

executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in

such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or

share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under 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.

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 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.

(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 authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his

intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) in this Appendix to the prospectus.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the 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.

(j) 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 8 June 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
- (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.

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.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable

circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 12 July 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.

(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.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what

security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — II. Documents Available for Inspection" in Appendix V to the prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 June 2016 with its registered office located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Our Company has established a principal place of business in Hong Kong at 14/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 28 December 2016. Mr. Leung has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution which comprises the Memorandum and the Articles. A summary of various parts of the constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands on 8 June 2016. As at the date of its incorporation, our Company has an authorised share capital of HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each, of which one fully-paid Share was allotted and issued to Reid Services Limited, being the subscriber to the Memorandum and the Articles. On 8 June 2016, the one Share held by Reid Services Limited was transferred to Mr. Leung at par. On the same day, one Share was allotted and issued at par to Mr. Lam.
- (b) On 20 September 2016, (i) Milestone Builder, Prime Builder BVI, the Company, Mr. Leung and Mr. Lam entered into an agreement pursuant to which Prime Builder BVI acquired the entire interest in Prime Builder, and 1,011 and 1,011 Shares were allotted and issued at par to Mr. Leung and Mr. Lam respectively; (ii) Mr. Leung, Mr. Lam, Milestone Builder BVI and the Company entered into an agreement pursuant to which 3,107 and 3,107 Shares were allotted and issued, credited as fully paid at par, to Mr. Leung and Mr. Lam respectively as consideration for the transfer of the entire interest in Milestone Builder to Milestone Builder BVI; (iii) Prime League, Synda, the Company, Mr. Leung and Mr. Lam entered into an agreement pursuant to which Synda acquired the 55% interest in Speedy Engineering, and 237 and 237 Shares were allotted and issued at par to Mr. Leung and Mr. Lam respectively; (iv) Prime League, Synda, the Company, Mr. Leung and Mr. Lam entered into an agreement pursuant to which Synda acquired 90% of the entire interest in Milestone Specialty, and 405 and 405 Shares were allotted and issued at par to Mr. Leung and Mr. Lam respectively; (v) Mr. Aaron Leung, Synda and the Company entered into an agreement pursuant to which Synda acquired Mr. Aaron Leung's 45% of the entire interest in Speedy Engineering, and 388 Shares were

allotted and issued at par to Mr. Aaron Leung; and (vi) Mr. Lui, Synda and the Company entered into an agreement pursuant to which Synda acquired Mr. Lui's 10% of the entire interest in Milestone Specialty, and 90 Shares were allotted and issued at par to Mr. Lui; which issue and allotments abovementioned were completed on 18 November 2016.

- (c) On 13 March 2017, the authorised share capital of our Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional 1,996,200,000 Shares of which the rights are identical to that of our existing Shares in all aspect pursuant to a resolution in writing passed by our Shareholders referred to in the paragraph below headed "A. Further Information About the Company — 4. Written resolutions of our Shareholders" in this Appendix to the prospectus.

Assuming the Share Offer becomes unconditional, immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued upon exercise of the Adjustment Options and any option that may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$200,000,000 divided into 2,000,000,000 Shares and the issued share capital of our Company will be HK\$80,000,000 divided into 800,000,000 Shares of par value HK\$0.10, fully paid or credited as fully paid, with 1,200,000,000 Shares remaining unissued.

Our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Changes in share capital of the subsidiaries of our Company

Our Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed "History and Development — Reorganisation" in this prospectus, there has been no other change in the share capital of any of the subsidiaries of our Company which took place within the two years immediately prior to the date of this prospectus.

4. Written resolutions of our Shareholders

Pursuant to the written resolutions of the Shareholders passed on 13 March 2017, among other things:

- (a) our Company approved and adopted the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional of 1,996,200,000 Shares of HK\$0.10 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 allotted and issued pursuant to the exercise of the Adjustment Options and 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 Agreements or otherwise:
 - (i) the Share Offer and the Adjustment Options were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued pursuant to the exercise of the Adjustment Options;
 - (ii) the Share Option Scheme was approved and adopted and our Directors were authorised subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares thereunder and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme; and
 - (iii) the Capitalisation Issue was approved and conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$59,999,000 standing to the credit of our Company's share premium account towards paying up in full at par 599,990,000 Shares for allotment and issue to holders of Shares whose name(s) appear on the register of members of our Company at 6:00 p.m. on 13 March 2017 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing shareholdings in the 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 the Directors or any committee of the Board were authorised to give effect to the Capitalisation Issue;

- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or the exercise of the Adjustment Options or an issue of Shares pursuant to the exercise of options which may be granted under the Share Option Scheme, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately upon completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first;
- (e) a general unconditional mandate was given to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately upon completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of the Company; or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first; and
- (f) the general unconditional mandate as mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following

completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme.

5. Corporate reorganisation

Details of the Reorganisation are set forth in the paragraph headed “History and Development — Reorganisation” in this prospectus.

6. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.*

(i) *Shareholders’ approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of the Shareholders passed on 13 March 2017, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase the Shares as described above in the paragraph headed “A. Further Information About the Company — 4. Written resolutions of our Shareholders” in this Appendix to the prospectus.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. Our Company may not repurchase our own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to the Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

(a) Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:






- (a) a sale and purchase agreement dated 20 September 2016 entered into among Milestone Builder, Prime Builder BVI, the Company, Mr. Leung and Mr. Lam pursuant to which Milestone Builder agreed to transfer 8,000 ordinary shares of Prime Builder to Prime Builder BVI at HK\$8,000, and the Company agreed to issue and allot 1,011 Shares and 1,011 Shares to Mr. Leung and Mr. Lam at HK\$0.1 per Share respectively;
- (b) a sale and purchase agreement dated 20 September 2016 entered into among Mr. Leung, Mr. Lam, Milestone Builder BVI and the Company, pursuant to which Mr. Leung and Mr. Lam agreed to transfer an aggregate of 4,200,000 ordinary shares of Milestone Builder to Milestone Builder BVI as nominee of the Company in consideration of 3,107 Shares and 3,107 Shares issued and allotted to Mr. Leung and Mr. Lam respectively;

- (c) a sale and purchase agreement dated 20 September 2016 entered into among Prime League, Synda, the Company, Mr. Leung and Mr. Lam pursuant to which Prime League agreed to transfer 313,500 ordinary shares of Speedy Engineering to Synda at HK\$1, and the Company agreed to issue and allot 237 Shares and 237 Shares to Mr. Leung and Mr. Lam at HK\$0.1 per Share respectively;
- (d) a sale and purchase agreement dated 20 September 2016 entered into among Prime League, Synda, the Company, Mr. Leung and Mr. Lam pursuant to which Prime League agreed to transfer 18,000 ordinary shares of Milestone Specialty to Synda at HK\$1, and the Company agreed to issue and allot 405 Shares and 405 Shares to Mr. Leung and Mr. Lam at HK\$0.1 per Share respectively;
- (e) a sale and purchase agreement dated 20 September 2016 entered into among Synda, the Company and Mr. Aaron Leung pursuant to which Mr. Aaron Leung agreed to transfer 256,500 ordinary shares of Speedy Engineering to Synda at HK\$1, and the Company agreed to issue and allot 388 Shares to Mr. Aaron Leung at HK\$0.1 per Share;
- (f) a sale and purchase agreement dated 20 September 2016 entered into among Synda, the Company and Mr. Lui pursuant to which Mr. Lui agreed to transfer 2,000 ordinary shares of Milestone Specialty to Synda at HK\$1, and the Company agreed to issue and allot 90 Shares to Mr. Lui at HK\$0.1 per Share;
- (g) the Deed of Non-competition;
- (h) the Deed of Indemnity; and
- (i) the Public Offer Underwriting Agreement.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. Trademarks

- (a) As at the Latest Practicable Date, our Group has registered the following trademarks in Hong Kong which we believe to be material to our business:

<u>Trademark</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
	Milestone Builder	36 and 37	303678067	3 February 2016	2 February 2026
	Milestone Builder	36 and 37	303678076	3 February 2016	2 February 2026
	Milestone Builder	36 and 37	303678085	3 February 2016	2 February 2026
	Speedy Engineering	37	303698515	29 February 2016	28 February 2026
	Speedy Engineering	37	303698524	29 February 2016	28 February 2026

2. Domain names

As at the Latest Practicable Date, our Group has registered the following domain name:

<u>Domain Name</u>	<u>Registrant</u>	<u>Registration Date</u>	<u>Expiry Date</u>
milestone.hk	Milestone Builder	20 October 2011	20 October 2017

D. DISCLOSURE OF INTERESTS

1. Interests and short positions of our Directors and chief executive in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue, taking no account of the Shares to be allotted and issued pursuant to the Adjustment Options and options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required,

or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Long position in Shares

<u>Name of Director</u>	<u>Capacity/nature of interest</u>	<u>Number of Shares</u>	<u>Percentage of shareholding interests of our Company</u>
Mr. Leung	Beneficial owner and person acting in concert (<i>Note</i>)	600,000,000 Shares	75.00%
Mr. Lam	Beneficial owner and person acting in concert (<i>Note</i>)	600,000,000 Shares	75.00%

Note: Each of Mr. Leung and Mr. Lam are personally interested in 285,660,000 Shares, representing approximately 35.71% of the total issued share capital of our Company immediately after the completion of the Share Offer and the Capitalisation Issuer (assuming none of the Adjustment Options is exercised and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme). Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui are parties acting in concert (having the meaning ascribed to it under the Takeovers Code) pursuant to the Concert Party Deed. As such, each of Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui is deemed to be interested in 600,000,000 Shares held by them in aggregate under the SFO.

2. Interests and short positions of Substantial Shareholders in the Shares, and underlying Shares of the Company

So far as it is known to our Directors and save as disclosed in this prospectus, immediately following completion of the Share Offer and the Capitalisation Issue, and taking no account of any Shares to be allotted and issued pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of the Company) will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or,

who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in Shares

<u>Name</u>	<u>Capacity/nature of interest</u>	<u>Number of Shares</u>	<u>Percentage of shareholding interests of our Company</u>
Mr. Aaron Leung	Beneficial owner and person acting in concert (<i>Note</i>)	600,000,000 Shares	75.00%
Mr. Lui	Beneficial owner and person acting in concert (<i>Note</i>)	600,000,000 Shares	75.00%

Note: Mr. Aaron Leung and Mr. Lui are personally interested in 23,280,000 Shares and 5,400,000 Shares respectively, representing approximately 2.91% and 0.68% respectively of the total issued share capital of our Company immediately after the completion of the Share Offer and the Capitalisation Issuer (assuming none of the Adjustment Options are exercised and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme). Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui are parties acting in concert (having the meaning ascribed to it under the Takeovers Code) pursuant to the Concert Party Deed. As such, each of Mr. Leung, Mr. Lam, Mr. Aaron Leung and Mr. Lui is deemed to be interested in 600,000,000 Shares held by them in aggregate under the SFO.

3. Particulars of service contracts

Each of the executive Directors has entered into a service agreement with our company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

- (a) Each service agreement is for an initial term of three years commencing from the Listing Date and shall continue thereafter unless and until it is terminated by our Company or our Director giving to the other not less than three months' prior notice in writing.
- (b) The annual remuneration (including director's fee, basic salary, allowance, rental of director's quarters, non-cash benefit and retirement scheme contribution) payable to each of Mr. Leung and Mr. Lam under their respective service agreements shall be HK\$2.5 million.

- (c) Each of the executive Directors may be entitled to, if so recommended by our remuneration committee and approved by our Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director provided that the aggregate amount of bonuses payable to all the executive Directors in respect of any financial year shall not exceed 10% of the audited consolidated net profits of our Group after taxation and minority interests but before extraordinary items attributable to the Shareholders of the Company for the relevant financial year.
- (d) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the remuneration payable to himself.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company under which each of them is appointed for a period of three years commencing from the Listing Date. The annual director's fee payable to each of the independent non-executive Directors under their respective letter of appointment shall be HK\$150,000. Save for the annual director's fees mentioned above, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. Remuneration of Directors

During the Track Record Period, our Directors confirmed that our Group's remuneration policy for our Directors and senior management members of the subsidiaries were based on their experience, level of responsibility and general market conditions. Any discretionary bonus was linked to the business performance of our Group and the individual performance of such Directors and senior management members. Our Company intends to adopt the same remuneration policy after the Listing, subject to the review by and the recommendations of our remuneration committee.

For the three years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2016, the aggregate emoluments (including director's fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) paid by our Group to our Directors were approximately HK\$2.0 million, HK\$1.8 million, HK\$2.0 million and HK\$1.1 million respectively.

Further information in respect of our Directors' emoluments is set out in Appendix I to this prospectus. It is expected that the aggregate emoluments (excluding payment pursuant to any discretionary bonus or granting of share options) payable by our Group to our Directors (including the independent non-executive Directors) for the year ending 31 March 2017 will be approximately HK\$2.8 million.

Save as disclosed in Appendix I to this prospectus, none of our Directors received any remuneration or benefits in kind from our Group during the Track Record Period.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) so far as our Directors are aware, none of our Directors or chief executive has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Share Offer and assuming that the Offer Size Adjustment Option or Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or which will be required, pursuant to the Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, once the Shares are listed;
- (b) so far as our Directors are aware, none of our Directors and experts referred to under the heading "Qualifications of experts" of this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the 2 years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors and experts referred to under the heading "Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group, excluding contracts which are determinable by the employer within 1 year without payment of compensation other than statutory compensation;

- (e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person, not being a Director of the Company, who will, immediately following completion of the Share Offer and the Capitalisation Issue, be interested in or has short positions in the Shares or underlying shares of the Company which have to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once the Shares are listed, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (f) none of the experts referred to under the heading “Qualifications of experts” of this Appendix has any shareholding in any member of our Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of our Directors, their close associates or any Shareholder of our Company (which to the knowledge of our Directors owns more than 5% of our Company’s issued share capital) has any interest in our Group’s five largest suppliers and five largest customers.

6. Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriters is set out in section headed “Underwriting” in this prospectus.

Save as disclosed herein and in the section headed “Directors, Senior Management and Staff” and the Accountant’s Report set out in Appendix I to the prospectus, none of the Directors, or the experts named in the paragraph headed “F. Other Information — 6. Qualifications of experts” in this Appendix to the prospectus had received any agency fee, commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

7. Related party transactions

For details of the related party transactions of our Group entered into within two years immediately preceding the date of this prospectus, please refer to the Accountant’s Report set out in Appendix I to this prospectus and the section headed “Continuing Connected Transactions” in this prospectus.

E. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholders passed on 13 March 2017 are set out below:

1. Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognise and motivate the contributions that Eligible Participants (as defined below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:

- (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain ongoing business relationships with the Eligible participants whose contributions are, will or expected to be beneficial to our Group.

For the purpose of the Share Option Scheme, “Eligible Participants” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis of eligibility

The Board may at its discretion grant options to:

- (i) any Eligible Employees. “**Eligible Employees**” means employees (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital (“**Invested Entity**”);
- (ii) any directors (including non-executive and independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(vii) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, options may be granted to any company wholly owned by one or more Eligible Participants.

The basis of eligibility of any Eligible Participant to be granted any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

3. Subscription price of Shares

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (ii) an amount equivalent to the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a Share on the offer date. For the purpose of calculating the exercise price where our Company has been listed for less than five Trading Days, the Offer Price of the Shares shall be used as the closing price of the Shares for any Trading Days falling within the period before the Listing Date.

4. Grant of options and acceptance of offers

An offer for the grant of options shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favor of our Company as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

5. Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) to (iv) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 80,000,000 Shares) (the “**Scheme Mandate Limit**”) unless approved by the Shareholders of our Company pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the scheme(s) will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) Subject to sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by the Shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by the Shareholders of our Company. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to the Shareholders of our Company containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.
- (iii) Subject to sub-paragraphs (iv) below, the Board may seek separate Shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the Shareholders of our Company containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (iv) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if such grant will result in the said 30% limit being exceeded.

6. Maximum entitlement of each participant

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (i) approval of the Shareholders of our Company at general meeting, with such Eligible Participant and its close associates (or its associates if such Eligible Participant is a connected person) abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant must be sent by our Company to its Shareholders with such information from time to time as required by the Listing Rules;
- (iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before the Shareholders' approval mentioned in (i) above; and
- (iv) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

7. Requirements on granting options to certain connected persons

Any grant of options to any director, chief executive or substantial Shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding an independent non-executive Director who or whose associate is a proposed grantee).

Where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the total number of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders of our Company on a poll in a general meeting where the grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting. Our Company will send a circular to the Shareholders containing the information required under the Listing Rules.

8. Restrictions on the time of grant of options

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our 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 our Company to announce its 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. No option may be granted during any period of delay in publishing a results announcement. "Inside information" has the meaning defined in the SFO.

The Board may not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

9. Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that the Board may determine the minimum period for which an Option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the issue and allotment of the Shares upon such exercise of the option.

10. Performance targets

Save as determined by the Board and provided in the offer of grant of the options, there is no performance target that must be achieved before the options can be exercised.

11. Ranking of Shares

The Shares to be allotted and issued upon exercise of an option shall be subject to all the provisions of the Articles of our Company for the time being in force and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the allotment date. Any Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

12. Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favor of any third party over or in relation to any option or enter into any agreement so to do.

13. Rights on cessation of employment

- (i) In the event of death of the grantee (being an individual) before exercising the option in full, his personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not already exercised) within a period of 12 months following his death or such longer period as the Board may determine.
- (ii) In the event of the grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his death, or the termination of his employment pursuant to paragraph 18(v), the grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already exercised) within 30 days following such cessation or such longer period as the Board may determine.

14. Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company while an option remains exercisable or this scheme remains in effect, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate so far as unexercised; and/or (ii) the subscription price of the options; and/or (iii) the method of exercise of the options; and/or (iv) the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules, and give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value provided that in such circumstance, the subscription price shall be reduced to the nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial advisor of our Company or the auditors of our Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

15. Rights on a general offer

If a general or partial offer (whether by way of takeover offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the offer becomes or is declared unconditional and not already exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

16. Rights on winding-up

In the event notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice of meeting and not already exercised) at any time not later than 2 Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting of our Company to consider the winding-up and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

17. Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than 2 Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

18. Lapse of options

An option shall automatically lapse and not be exercisable on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraph 13 above;
- (iii) subject to paragraph 16 above, the date of the commencement of the winding-up of our Company;
- (iv) subject to the scheme becoming effective, the expiry of the period referred to in paragraph 17 above;
- (v) the date on which the grantee who is an Eligible Employee ceases to be an Eligible Employee by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his employment contract or other contract constituting him an Eligible Employee, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty, unless otherwise resolved to the contrary by the Board;
- (vi) in respect of a grantee other than an Eligible Employee, the date on which the Board shall determine that (i) (a) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (b) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (c) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations

with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in subparagraph (i) (a), (b) or (c) above, unless otherwise resolved to the contrary by the Board;

- (vii) the expiry of the period referred to in paragraph 15 above; and
- (viii) the date on which the grantee commits a breach of paragraph 12 or any terms or conditions attached to the grant of the option or an event, in respect to a grantee, referred to in (2) below occurs, unless otherwise resolved to the contrary by the Board.

If the grantee is a company wholly owned by one or more Eligible Participants:

- (1) the provisions of paragraphs 13(i) and (ii), 18(v) and (vi) shall apply to the grantee and to the options granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(i) and (ii), 18(v) and (vi) shall occur with respect to the relevant Eligible Participant; and
- (2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant,

provided that the Board may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Cancellation of options granted but not yet exercised

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in the Share Option Scheme from time to time.

20. Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding, the provisions of the Share Option Scheme shall remain in full force and effect.

The Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme and the Listing Rules including but not limited to the minimum period for which an option must be held before it can be exercised.

21. Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the terms and condition of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) cannot be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders of our Company in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the grantee as would be required of the Shareholders of our Company under the Articles for the time being of our Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of the Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Scheme).

Subject to the above paragraphs, the Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of the Share Option Scheme.

22. Termination to the Share Option Scheme

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

23. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting the approval of the listing of and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Share Offer and any Shares which may fall to be issued pursuant to the exercise of the Adjustment Options and any options under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date; (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and (iii) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in the Shares to be issued and allotted by our Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date.

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

F. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders, pursuant to a Deed of Indemnity referred to in the paragraph headed “B. Further Information About the Business of Our Group — (a) Summary of material contracts” in this Appendix, have given joint and several indemnities (subject to certain limitations) to our Company for ourself and as trustee for our subsidiaries in connection with, among other things, any taxation falling on any members of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidiary or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the Listing Date, or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date, whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date, and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any additional taxation which may fall on the Company or any other member of our Group in

respect of a taxation claim resulting from a reassessment or similar action by a taxation authority against any member of our Group of taxation due, and whether or not such reassessment is effected in respect of taxation which our Company or any other members of our Group had previously reached agreement with a taxation authority.

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity where:

- (a) to the extent that provision, reserve or allowance has been made for such liability, taxation or taxation claim in the audited consolidated accounts of our Company or the audited accounts of any member of our Group up to 30 September 2016; or
- (b) to the extent that the liability arises or is incurred as a result of a consequence of any change in law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including, without limitation, the Inland Revenue Department, having retrospective effect coming into force after the Listing Date, or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect; or
- (c) the liability, taxation or taxation claim falls on any of members of our Group after 30 September 2016, unless such liability would not have arisen but for some act or omission of, or transaction entered into by, any of our Controlling Shareholders, and/or our Company and/or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business of our Group on or before the Listing Date or pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity, or pursuant to any statement of intention made in this prospectus; or
- (d) to the extent that any provision or reserve made for such liability in the audited consolidated accounts of our Company up to 30 September 2016 which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of our Controlling Shareholders in respect of such liability shall not be available in respect of any such liabilities arising thereafter; or
- (e) to the extent that the liability is discharged by another person who is not a member of our Group, and none of the members of our Group is required to reimburse such person in respect of the discharge of such liability.

Our Controlling Shareholders have also jointly and severally undertaken to indemnify our Company (for ourself, and as trustee for each of the members of our Group) against any costs, expenses, claims, liabilities, penalties, losses and damages (including, but not limited to, any relocation or destruction cost) incurred or suffered by our Company, or any member of our

Group, arising from, or in connection with, any failure of our Company, any members of our Group, or any parties from whom our Company, or any member of our Group, purchased, leased, or obtained licence or permit to use, any property interest owned, leased, licensed, or otherwise used or occupied, by our Company, or any member of our Group (the “**Relevant Property**”), to obtain any property ownership certificate, certificate of title, approval, permit, consent or registration in respect of the Relevant Property.

Our Controlling Shareholders have also irrevocably and unconditionally agreed and undertaken to each of the members of our Group, on a joint and several basis, that they shall indemnify and, at all times, keep the same indemnified on demand from and against all sums, outgoing, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, payments, suits, and expenses associated, incurred or suffered by our Company or any of the members of our Group, directly or indirectly, in connection with:

- (a) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual or tortious nature, or otherwise instituted by or against our Company and/or any of the members of our Group, which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of our Company or any of the members of our Group on or before the Listing Date, including the outstanding claims of our Group as disclosed under the paragraph headed “Business — Litigation, Arbitration and Potential Claims” in this prospectus;
- (b) any irregularities in relation to the corporate documents of any of the members of our Group; and
- (c) any non-compliance with the applicable laws, rules or regulations by our Company and/or any of the members of our Group on or before the Listing Date, including the non-compliance of our Group as disclosed under the paragraph headed “Business — Non-compliance” in this prospectus, except that specific provision, reserve or allowance has been made for such liabilities in the audited consolidated accounts of our Group on or before the Listing Date.

2. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, to the best of our Directors’ knowledge, there is no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group’s financial condition or results of operation.

3. Application for Listing of Shares

The Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be allotted and issued pursuant to the exercise of the Adjustment Options and options which may be granted under the Share Option Scheme on the Stock Exchange.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company were approximately HK\$33,500 and were paid by our Group.

There is no annual cost of compliance with applicable rules and regulations during the Track Record Period.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Ample Capital Limited	Licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
PricewaterhouseCoopers	Certified Public Accountants
Appleby	Legal adviser of the Company as to Cayman Islands law
Frost & Sullivan Limited	Independent industry consultant
Mr. Chan Chung	Barrister-at-law

7. Consents of experts

Each of the parties listed in the paragraph headed “F. Other Information — 6. Qualifications of experts” in this Appendix to the prospectus has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter, report,

valuation certificate, opinion and/or references to its name (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Share Registrar

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial prospects of our Company or its subsidiaries since 30 September 2016 (being the date to which the latest audited financial statements of our Company were made up).

11. Miscellaneous

Save as disclosed herein:

- (a) within the 2 years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares of the Company have been issued or agreed to be issued.

- (b) no share, warrant or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (d) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (e) 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; and
- (f) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

I. 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:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to the paragraph headed “Statutory and General Information — B. Further Information about the Business of Our Group — (a). Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the paragraph headed “Statutory and General Information — F. Other Information — 7. Consents of experts” in Appendix IV to this prospectus.

II. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of CFN Lawyers, 27th Floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the accountant’s report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for the financial years ended 31 March 2014, 2015 and 2016 and six months ended 30 September 2016;
- (e) the letter of advice prepared by Appleby, our Cayman Islands legal adviser, summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (f) the legal opinion dated the date of this prospectus issued by Mr. Chan Chung, a barrister-at-law in Hong Kong and our Company’s Hong Kong special legal counsel, in respect of certain statements referred to in this prospectus;
- (g) the Frost & Sullivan Report;
- (h) the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further Information about the Business of Our Group — (a) Summary of material contracts” in Appendix IV to this prospectus;

- (i) the written consents referred to in the paragraph headed “Statutory and General Information — F. Other Information — 7. Consents of experts” in Appendix IV to this prospectus;
- (j) the service contracts and letters of appointment referred to in the paragraph headed “Statutory and General Information — D. Disclosure of Interests — 3. Particulars of service contracts” in Appendix IV to this prospectus;
- (k) the Companies Law; and
- (l) the rules of our Share Option Scheme.



Milestone Builder Holdings Limited
進階發展集團有限公司