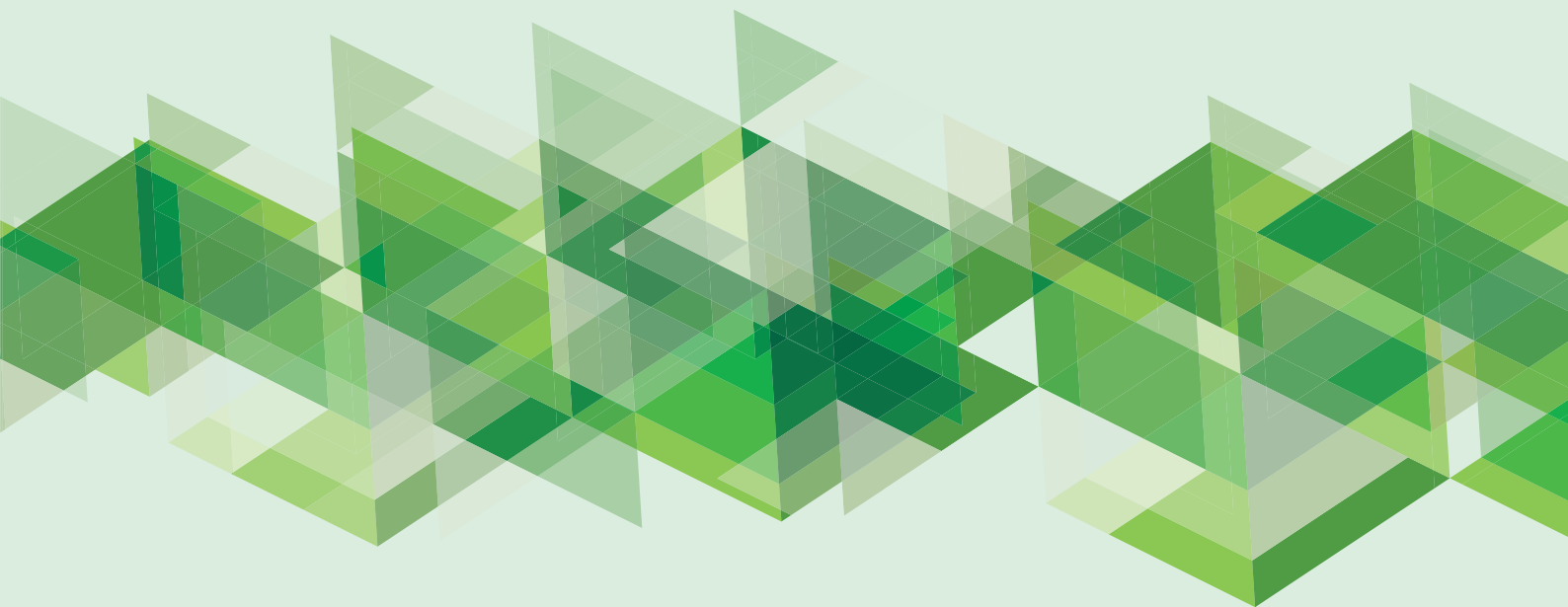


# Kin Shing Holdings Limited

## 建成控股有限公司

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

Stock code: 1630



## SHARE OFFER

**Sole Sponsor**



**Joint Bookrunners and Joint Lead Managers**



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## IMPORTANT

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

### Kin Shing Holdings Limited

### 建成控股有限公司

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

### SHARE OFFER

<b>Number of Shares offered under the Share Offer</b>	<b>:</b>	<b>375,000,000 Shares comprising 255,000,000 New Shares and 120,000,000 Sale Shares (subject to the Over-allotment Option)</b>
<b>Number of Placing Shares</b>	<b>:</b>	<b>337,500,000 Shares comprising 217,500,000 New Shares and 120,000,000 Sale Shares (subject to reallocation and the Over-allotment Option)</b>
<b>Number of Public Offer Shares:</b>	<b>:</b>	<b>37,500,000 Shares (subject to reallocation)</b>
<b>Offer Price</b>	<b>:</b>	<b>Not more than HK\$0.42 per Offer Share and 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)</b>
<b>Nominal value</b>	<b>:</b>	<b>HK\$0.01 per Share</b>
<b>Stock code</b>	<b>:</b>	<b>1630</b>

#### Sole Sponsor



#### Joint Bookrunners and Joint Lead Managers



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

A copy of this prospectus, with the documents specified in the paragraph headed "1. Documents delivered to the Registrar of Companies" in Appendix VI 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 for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 7 June 2017 or such later date as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), but in any event not later than Thursday, 8 June 2017. The Offer Price will not be more than HK\$0.42 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\$0.42 for each Offer Share together with brokerage of 1.0%, 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\$0.42.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of reduction of the indicative Offer Price range will be announced on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.kinshingholdings.com.hk](http://www.kinshingholdings.com.hk) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before Thursday, 8 June 2017, the Share Offer will not become unconditional and will lapse immediately.

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.

Prospective investors of the Public Offer Shares should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Public Offer Shares, are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

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

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Latest time to complete electronic applications under the <b>HK eIPO White Form</b> service through the designated website at <b>www.hkeipo.hk</b> <sup>(2)</sup> .....	11:30 a.m. on Monday, 5 June 2017
Application lists open <sup>(3)</sup> .....	11:45 a.m. on Monday, 5 June 2017
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms and giving <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> .....	12:00 noon on Monday, 5 June 2017
Latest time to complete payment of <b>HK eIPO White Form</b> applications by effecting internet banking transfers(s) or PPS payment transfer(s) .....	12:00 noon on Monday, 5 June 2017
Application lists of the Public Offer close <sup>(3)</sup> .....	12:00 noon on Monday, 5 June 2017
Expected Price Determination Date <sup>(5)</sup> .....	Wednesday, 7 June 2017
Announcement of the final Offer Price, the indication of levels of interest in the Placing, the level of applications in respect of the Public Offer and the basis of allotment of the Public Offer Shares under the Public Offer to be published on the website of our Company at <b>www.kinshingholdings.com.hk</b> <sup>(6)</sup> and on the website of the Stock Exchange at <b>www.hkexnews.hk</b> .....	Thursday, 15 June 2017
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares" from .....	Thursday, 15 June 2017
Results of allocations in the Public Offer will be available at <b>www.tricor.com.hk/ipo/result</b> with a "search by ID Number/Business Registration Number" function from .....	Thursday, 15 June 2017
Despatch/collection of Share certificates in respect of wholly or partially successful Applications pursuant to the Public Offer on or before <sup>(7)</sup> .....	Thursday, 15 June 2017
Despatch/collection of <b>HK eIPO White Form</b> e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before <sup>(8)</sup> .....	Thursday, 15 June 2017
Dealings in Shares on the Main Board expected to commence at 9:00 a.m. on .....	Friday, 16 June 2017

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

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*Notes:*

- (1) All times refer to Hong Kong local time. Details of the structure and conditions of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at [www.kinshingholdings.com.hk](http://www.kinshingholdings.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).
- (2) You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 June 2017, the application lists will not open or close on that day. Please see “How to apply for the Public Offer Shares-10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Monday, 5 June 2017, the dates mentioned in this section headed “Expected timetable” may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should see “How to apply for the Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 7 June 2017 and, in any event, not later than Thursday, 8 June 2017. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) by Thursday, 8 June 2017, the Share Offer will not proceed and will lapse immediately.
- (6) None of the website or any information contained on that website forms part of this prospectus.
- (7) Applicants who apply for 1,000,000 or more Public Offer Shares and have provided all information required in their Application Forms that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 15 June 2017 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation 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 Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to apply for the Public Offer Shares – 14. Despatch/ collection of Share certificates and refund monies” in this prospectus.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund

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

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cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in “How to apply for the Public Offer Shares” in this prospectus.

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

**Share certificates will only become valid certificates of title provided that the Public Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.**

Particulars of the structure and conditions of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

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## CONTENT

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### 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.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Share Offer. Information contained on our website, located at [www.kinshingholdings.com.hk](http://www.kinshingholdings.com.hk), does not form part of this prospectus.*

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## SUMMARY

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

### BUSINESS OVERVIEW

*Our business:* Founded for over 22 years, our Group is an established subcontractor carrying out formwork works in Hong Kong. We categorise our formwork works into (i) traditional timber formwork by using timber and plywood; and ii) metal formwork system by using aluminium, in terms of the materials mainly used in the formwork works. Formwork is an essential indispensable step for concrete building construction. Since fresh concrete needs time to harden and a containment to form the desired shape and size, formwork is used to contain poured concrete to mould the concrete into the required dimensions and as a support until the concrete is able to support itself.

*Our revenue:* During the Track Record Period, we generated revenue principally from formwork works with an insignificant portion from building construction works (including concrete works and finishes works). The following table sets forth the respective revenue generated from our formwork works and our building construction works in each of the financial years:

	For the year ended 31 March						For the nine months ended 31 December			
	2014 (approximately HK\$ million)		2015 (approximately HK\$ million)		2016 (approximately HK\$ million)		2015 (approximately HK\$ million) (unaudited)		2016 (approximately HK\$ million)	
		%		%		%		%		%
Formwork works	186.0	93.1	466.5	96.5	598.5	99.9	480.6	99.9	574.2	100.0
Building construction works	13.8	6.9	16.8	3.5	0.9	0.1	0.4	0.1	0.1	0.0
Total revenue	<u>199.8</u>	<u>100.0</u>	<u>483.3</u>	<u>100.0</u>	<u>599.4</u>	<u>100.0</u>	<u>481.0</u>	<u>100.0</u>	<u>574.3</u>	<u>100.0</u>

The following table sets forth our revenue breakdown by type of materials used for carrying out the formwork works for each of financial year/period during the Track Record Period:

	2014		For the year ended 31 March				2016		For the nine months ended 31 December						
	No. of projects handled (Note)	(approximately HK\$ million)	%	No. of projects handled (Note)	(approximately HK\$ million)	%	No. of projects handled (Note)	(approximately HK\$ million)	%	No. of projects handled (Note)	(approximately HK\$ million)	%			
Timber formwork	13	186.0	100.0	22	466.5	100.0	30	549.3	91.8	27	451.0	93.8	36	425.4	74.1
Metal formwork	-	-	-	-	-	-	1	42.8	7.2	1	29.2	6.1	2	85.8	14.9
Both timber and metal formwork	-	-	-	-	-	-	2	6.4	1.0	1	0.4	0.1	3	63.0	11.0
Total revenue generated from formwork works	<u>13</u>	<u>186.0</u>	<u>100.0</u>	<u>22</u>	<u>466.5</u>	<u>100.0</u>	<u>33</u>	<u>598.5</u>	<u>100.0</u>	<u>29</u>	<u>480.6</u>	<u>100.0</u>	<u>41</u>	<u>574.2</u>	<u>100.0</u>



## SUMMARY

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

As at the Latest Practicable Date, our Group did not have any on-going building construction works projects on hand. Given the relatively insignificant revenue contribution to the operation of our Group during the Track Record Period and our business strategy on expanding our market share in the formwork works industry, our Group will not tender for building construction works projects or allocate resources or employees to the building construction works.

The following table sets forth our revenue derived from all construction projects at different completion stages during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	2014		2015		2016		2015		2016	
	(approximately HK\$ million)	%	(approximately HK\$ million)	%	(approximately HK\$ million)	%	(approximately HK\$ million)	%	(approximately HK\$ million)	%
Revenue derived from projects brought forward	150.8	75.5	200.2	41.4	467.3	78.0	402.6	83.7	329.5	57.4
Revenue from new projects commenced	49.0	24.5	283.1	58.6	132.1	22.0	78.4	16.3	244.8	42.6
<b>Total</b>	<b>199.8</b>	<b>100.0</b>	<b>483.3</b>	<b>100.0</b>	<b>599.4</b>	<b>100.0</b>	<b>481.0</b>	<b>100.0</b>	<b>574.3</b>	<b>100.0</b>

For the three years ended 31 March 2016 and for the nine months ended 31 December 2016, there were 15, 24, 35 and 42 contracts contributing to our revenue respectively. The following table sets forth the breakdown of such contracts based on their respective revenue recognised during the Track Record Period:

	For the year ended 31 March			For the nine months ended 31 December	
	2014	2015	2016	2015	2016
	Number of projects	Number of projects	Number of projects	Number of projects	Number of projects
<b>Revenue recognised</b>					
HK\$100 million or above	–	1	–	–	–
HK\$50 million to below HK\$100 million	1	2	3	3	2
HK\$10 million to below HK\$50 million	4	6	8	8	18
HK\$1 million to below HK\$10 million	6	10	14	9	14
Below HK\$1 million	4	5	10	10	8
	<b>15</b>	<b>24</b>	<b>35</b>	<b>30</b>	<b>42</b>

## SUMMARY

*Our direct costs:* Our Group's direct costs consist of staff costs, costs of materials, subcontracting fee and other direct costs. The following table sets forth a breakdown of our direct costs during the Track Record Period:

Direct costs	For the year ended 31 March						For the nine months ended 31 December			
	2014		2015		2016		2015		2016	
	(approximately HK\$ million)	%	(approximately HK\$ million)	%	(approximately HK\$ million)	%	(approximately HK\$ million)	%	(approximately HK\$ million)	%
Staff costs	104.9	57.4	275.6	62.8	330.2	62.4	315.3	74.0	279.1	56.4
Materials	37.2	20.4	67.0	15.3	57.4	10.9	45.5	10.6	73.0	14.7
Timber and Plywood	24.5	13.4	40.6	9.2	34.2	6.5	25.8	6.1	28.7	5.8
Steel and accessories	8.0	4.4	13.5	3.1	11.1	2.1	8.3	1.9	13.0	2.6
Aluminium	–	–	–	–	8.4	1.6	7.8	1.8	30.2	6.1
Other materials	4.7	2.6	12.9	3.0	3.7	0.7	3.6	0.8	1.1	0.2
Subcontracting fee	24.8	13.6	74.1	16.9	113.9	21.5	46.3	10.9	114.6	23.2
Rental equipment	2.5	1.4	5.7	1.3	7.2	1.4	4.2	1.0	11.2	2.3
Directors' remuneration	0.9	0.4	1.2	0.2	1.4	0.2	1.2	0.3	0.3	0.1
Other direct costs	12.5	6.8	15.5	3.5	19.2	3.6	13.5	3.2	16.1	3.3
<b>Total</b>	<b>182.8</b>	<b>100.0</b>	<b>439.1</b>	<b>100.0</b>	<b>529.3</b>	<b>100.0</b>	<b>426.0</b>	<b>100.0</b>	<b>494.3</b>	<b>100.0</b>

For details analysis of our Group's direct costs, please refer to the paragraph headed "Financial information – Period to period comparison of results of operations" in this prospectus.

*Our gross profit and gross profit margin:* Our gross profit was approximately HK\$17.0 million, HK\$44.2 million, HK\$70.1 million and HK\$80.1 million for the three years ended 31 March 2016 and the nine months ended 31 December 2016, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin in terms of the nature of work undertaken by us during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	2014		2015		2016		2015		2016	
	Gross profit margin (approximately HK\$ million)	(%)	Gross profit margin (approximately HK\$ million)	(%)	Gross profit margin (approximately HK\$ million)	(%)	Gross profit margin (approximately HK\$ million)	(%)	Gross profit margin (approximately HK\$ million)	(%)
Formwork works	15.6	8.4	41.6	8.9	70.0	11.7	55.0	11.4	80.1	13.9
Building construction works	1.4	10.5	2.6	15.4	0.1	12.3	– <sup>(Note)</sup>	9.6	– <sup>(Note)</sup>	9.6
<b>Total</b>	<b>17.0</b>	<b>8.5</b>	<b>44.2</b>	<b>9.1</b>	<b>70.1</b>	<b>11.7</b>	<b>55.0</b>	<b>11.4</b>	<b>80.1</b>	<b>13.9</b>

*Note:* The gross profit of the building construction works undertaken for the nine months ended 31 December 2015 and 2016 was approximately HK\$36,000 and HK\$10,000, respectively.

Our gross profit increased from approximately HK\$17.0 million for the year ended 31 March 2014 to approximately HK\$44.2 million for the year ended 31 March 2015 mainly because we undertook several sizable private projects with relatively high gross profit margin, including Project 13 and Project 16, for the year ended 31 March 2015. We can achieve relatively high gross profit margin in Project 13 and Project 16 mainly due to (i) the fact that we can use timber and plywood for each of Project 13 and Project 16 on a repeated basis as these projects consisted of multiple typical floors and buildings, thus the

## SUMMARY

construction patterns and requirements are similar; and (ii) the average wages for workers in Project 13 and Project 16 are relatively lower as a result of efficient use of labour and skills in these projects.

Our gross profit increased from approximately HK\$44.2 million for the year ended 31 March 2015 to approximately HK\$70.1 million for the year ended 31 March 2016. It was mainly attributable to our two relatively high gross profit projects, namely Project 30 and Project 34, as a result of our repeated use of timber, plywood and aluminum in the same projects, which led to the decrease in the amount of timber, plywood and aluminum required to purchase for these projects.

Our gross profit increased from approximately HK\$55.0 million for the nine months ended 31 December 2015 to approximately HK\$80.1 million for the nine months ended 31 December 2016, representing an increase of approximately 45.6%. During the same period, our overall gross profit margin increased approximately from 11.4% to 13.9%, respectively, representing an increase of approximately 21.9%. The aforesaid increase in gross profit margin was mainly attributable to the combined effect of (i) more profitable variation orders performed during the said period for our Project 35 which generated approximately HK\$20.8 million gross profit representing approximately 26% of our total gross profit, resulting in an increase of gross profit margin by approximately 3.1% comparing to the nine months ended 31 December 2015 for timber formwork projects; and (ii) extra costs incurred for Project 30, which had gross profit of approximately HK\$2.2 million, due to the unexpected changes and delay in the overall construction progress managed by the main contractor during the period, resulting in a decrease of gross profit margin by 12.0% comparing to the nine months ended 31 December 2015 for metal formwork projects.

The following table sets forth the breakdown of our gross profit and gross profit margin by type of formwork used in each of financial year/period:

	For the year ended 31 March						For the nine months ended 31 December			
	2014		2015		2016		2015		2016	
	Gross profit (approximately HK\$ million)	Gross profit margin (%)	Gross profit (approximately HK\$ million)	Gross profit margin (%)	Gross profit (approximately HK\$ million)	Gross profit margin (%)	Gross profit (approximately HK\$ million)	Gross profit margin (%)	Gross profit (approximately HK\$ million)	Gross profit margin (%)
Timber formwork	15.6	8.4	41.6	8.9	57.7	10.5	47.1	10.5	58.0	13.6
Metal formwork	-	-	-	-	11.3	26.5	7.7	26.5	12.5	14.5
Both timber and metal formwork	-	-	-	-	1.0	15.3	0.1	15.3	9.6	15.3
	<u>15.6</u>	8.4	<u>41.6</u>	8.9	<u>70.0</u>	11.7	<u>54.9</u>	11.4	<u>80.1</u>	13.9

As shown in the table above, our gross profit margin contributed from timber formworks was approximately 8.4%, 8.9%, 10.5% and 13.6%, respectively, which is lower than that from the metal formwork and both timber and metal formwork.

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

### COMPETITIVE LANDSCAPE AND MARKET SHARE

The formwork works industry in Hong Kong is relatively fragmented and there are over 780 subcontractors on the list of registered subcontractors of the Construction Industry Council under formwork category as of April 2017. According to the IPSOS Report, our

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## SUMMARY

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Group's revenue accounted for approximately 9.3% of the total industry revenue of HK\$4,994.2 million in the calendar year of 2015, and places our Group among the major industry players.

### OUR FORMWORK PROJECTS

#### Tender Success Rate

Our Group mainly obtain formwork projects through tenders. During the Track Record Period, the aggregate number of formwork projects obtained through tenders and direct invitation from customers was 49 and three respectively.

The following table sets forth the number of formwork projects tendered and won by our Group for each of the three years ended 31 March 2016 and the nine months ended 31 December 2016 respectively:-

	For the year ended 31 March			For the nine months ended 31 December
	2014	2015	2016	2016
The number of projects tendered for	25	28	93	92
The number of projects won	12	11	17	9
Success rate (%)	48%	39%	18%	9.8%

Subsequent to the year ended 31 March 2015, our Group experiences a significant drop in our tender success rates as (i) more tenders were submitted to main contractors, including some contractors with whom we had no prior working relationship and preparing tenders for contractors who were in the course of bidding the main contract from the same respective project owner; and (ii) we had been more prudent in our estimation of costs and time owing to our financial needs for expansion of our business and this approach might cause our tender price less competitive. Our Directors believe that the Listing could provide more capital and resources for more proactive approach in tendering. For details of the tender success rate of our Group, please refer to the sub-section headed "Business – Our formwork projects" in this prospectus.

#### FORMWORK PROJECTS DURING THE TRACK RECORD PERIOD AND UP TO THE LATEST PRACTICABLE DATE

The formwork projects undertaken by our Group originated from both public sector projects and private sector projects in Hong Kong, including private residential development, commercial development and public housing and buildings.

During the Track Record Period, our Group mainly carried out formwork works for private residential and commercial buildings with a small portion thereof for public housing and buildings. For the three years ended 31 March 2016 and the nine months ended 31 December 2016, the revenue generated from private sector projects accounted for 100%, approximately 98.8%, 98.6% and 89.1% of our total revenue, respectively, and the remaining nil, approximately 1.2%, 1.4% and 10.9% of our total revenue of the corresponding years/periods was generated from public sector projects undertaken by us during the corresponding periods.

## SUMMARY

The number of formwork projects handled by our Group and the revenue attributable to public sector projects and private sector projects during the Track Record Period are as follows:

	31 March 2014			For the year ended 31 March 2015			31 March 2016			For the nine months ended 31 December 2015			2016		
	No. of projects handled	Approximate amount	Percentage	No. of projects handled	Approximate amount	Percentage	No. of projects handled	Approximate amount	Percentage	No. of projects handled	Approximate amount	Percentage	No. of projects handled	Approximate amount	Percentage
	(Note)	(HK\$ million)	(%)	(Note)	(HK\$ million)	(%)	(Note)	(HK\$ million)	(%)	(Note)	(HK\$ million)	(%)	(Note)	(HK\$ million)	(%)
Private sector	13	186.0	100	21	460.8	98.8	30	590.2	98.6	28	477.8	99.4	34	511.4	89.1
Public sector	-	-	-	1	5.7	1.2	3	8.3	1.4	1	2.8	0.6	7	62.8	10.9
<b>Total</b>	<b>13</b>	<b>186.0</b>	<b>100</b>	<b>22</b>	<b>466.5</b>	<b>100</b>	<b>33</b>	<b>598.5</b>	<b>100</b>	<b>29</b>	<b>480.6</b>	<b>100</b>	<b>41</b>	<b>574.2</b>	<b>100</b>

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we completed 32 projects of formwork works. We had 30 formwork works contracts on hand (including projects in progress as well as projects that awarded to us but yet to have commenced) as at the Latest Practicable Date with an aggregate original contract sum amounted to approximately HK\$1,268.2 million, of which approximately HK\$217.0 million had been recognised during the three years ended 31 March 2016 and an aggregate amount of approximately HK\$633.1 million is expected to be recognised as revenue for the year ending 31 March 2017. For further details of our projects, please refer to the paragraph headed “Business – Our formwork projects” in this prospectus.

### CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

#### Customers

Revenue attributable to our Group’s five largest customers for the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016 amounted to 100%, approximately 98.6%, 97.8% and 89.2% of the revenue of our Group, respectively. During the Track Record Period, our Group derived a significant portion of our revenue from our two largest customers, namely, Customer A and Customer B. For each of the corresponding years, approximately 46.2%, 60.6%, 61.2% and 38.1% of our total revenue in the respective period was attributable to Customer A; and approximately 45.4%, 33.0%, 31.4% and 17.4% of our total revenue in the respective period was attributable to Customer B. For further details of our major customers, please refer to the paragraph headed “Business – Customers” in this prospectus.

#### Suppliers and Subcontractors

Purchases from our five largest suppliers accounted for approximately 71.6%, 68.4%, 82.8% and 63.0% of our total material costs for the three years ended 31 March 2016 and the nine months ended 31 December 2016, respectively. Depending on the type of works and the level of our internal resources, we sometimes subcontract part of our works or assign a particular work process in our works to our subcontractors. Subcontracting fees accounted for approximately 13.6%, 16.9%, 21.5% and 23.2% of our total direct cost for each of the respective financial years/period. Subcontracting works performed by our five largest subcontractors accounted for approximately 43.2%, 25.2%, 35.8% and 46.4% of our total

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## SUMMARY

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subcontracting fee for each of the corresponding financial years/period. For further details of our major suppliers and subcontractors, please refer to the paragraphs respectively headed “Business - Suppliers” and “Business - Subcontracting” in this prospectus.

### COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths which are described in greater details in the paragraph headed “Business – Competitive strengths” in this prospectus:

- We have an established operating history and proven track record, which enables us to maintain long-term business relationship with our customers, suppliers and subcontractors
- We are one of the leading formwork contractors in Hong Kong
- We have an experienced and professional management team and a team of operational staff in carrying out formwork works
- We are committed to high safety and environmental management standards and stringent quality controls

### BUSINESS STRATEGIES

Our principal business objectives are to achieve sustainable growth, further strengthen our position in the formwork works industry in Hong Kong, and to create long-term value for our Shareholders by executing the following key strategies:

- Compete for sizable and profitable formwork projects
- Put more emphasis on formwork projects involving aluminium formworks
- Manage costs effectively to ensure sustainable business development
- Enhance our business operations and capacity

For more details on our business strategies, please refer to the paragraph headed “Business – Business strategies” in this prospectus.

### CONTROLLING SHAREHOLDERS

On 5 August 2016, Mr. Leung, Mrs. Leung and Mr. Chow entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of (i) Leung Pui and Ho Yip since the incorporation of Leung Pui and Ho Yip and (ii) each of the members of our Group upon the Listing and will continue to do so as of and after the date of the Concert Parties Confirmatory Deed, details of the Concert Parties Confirmatory Deed are set out in the section headed “History, corporate structure and reorganisation – Parties acting in concert” in this prospectus.

Immediately following completion of the Capitalisation Issue and the Share Offer, Five Continental will hold 75% of our Company’s entire issued share capital (without taking into account the exercise of the Over-allotment Option and any options which may be granted under the Share option Scheme). Five Continental will be interested in 75% of the issued share capital of our Company, with each of Mr. Leung and Mr. Chow holds 85% and 15% of Five Continental respectively and thus controls Five Continental. As Mrs. Leung is the spouse of Mr. Leung, Mrs. Leung is deemed to be interested in the shares of Five Continental held by Mr. Leung. As Mr. Leung, Mrs. Leung, Mr. Chow and Five Continental

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## SUMMARY

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will collectively continue to control more than 30% of the issued share capital of our Company, each of Mr. Leung, Mrs. Leung, Mr. Chow and Five Continental are our Controlling Shareholders. For details regarding the shareholding interest of the Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this prospectus.

Our Controlling Shareholders have confirmed that none of them and their respective associates are interested in any business which competes or is likely to compete, directly or indirectly with the business of our Group. Our Controlling Shareholders Mr. Leung and Mrs. Leung are the executive Directors of our Company. For further details, please refer to the section headed “Directors, senior management and employees – Directors – Executive Directors” in this prospectus.

### KEY OPERATIONAL AND FINANCIAL DATA

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

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

	Year ended 31 March			Nine months ended 31 December	
	2014 <i>HK\$’000</i>	2015 <i>HK\$’000</i>	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>	2016 <i>HK\$’000</i>
Revenue	199,813	483,330	599,354	481,041	574,342
Gross profit	17,036	44,182	70,089	55,007	80,070
Profit and total comprehensive income for the year/period	8,744	29,732	46,155	39,417	50,578

During the Track Record Period, our Group recorded revenue of approximately HK\$199.8 million, HK\$483.3 million, HK\$599.4 million and HK\$574.3 million, respectively; and for the same periods, our Group recorded profit and total comprehensive income for the year/period of approximately HK\$8.7 million, HK\$29.7 million, HK\$46.2 million and HK\$50.6 million, respectively.

For the year ended 31 March 2014, our Group recorded relatively low profit when comparing to that for the year ended 31 March 2015 and 2016. Such relatively low profit was mainly due to the fact that we only handled 15 projects in which only one sizable project generated revenue over HK\$50.0 million during the year ended 31 March 2014 when compared to 24 projects and 35 projects in which there were three and three sizeable projects generated revenue over HK\$50.0 million during the year ended 31 March 2015 and 2016, respectively.

## SUMMARY

### Selected information extracted from consolidated statements of financial position

	As at 31 March			As at 31 December
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	64,548	132,598	135,538	233,957
Current liabilities	42,828	95,450	118,167	180,569
Net current assets	21,720	37,148	17,371	53,388
Net assets	21,938	39,411	22,049	69,627
Total assets	64,766	134,861	141,043	251,359

### Selected information extracted from consolidated statements of cash flows

	For the year ended 31 March			For the nine months ended 31 December	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital	<u>11,008</u>	<u>36,621</u>	<u>55,486</u>	<u>47,271</u>	<u>62,968</u>
Cash generated from operations	4,645	38,210	75,139	55,090	8,496
Income tax paid	<u>(1,101)</u>	<u>(1,916)</u>	<u>(8,707)</u>	<u>(379)</u>	<u>(1,398)</u>
Net cash generated from operating activities	3,544	36,294	66,432	54,711	7,098
Net cash generated from/ (used in) investing activities	5,658	(8,121)	(13,596)	(34,011)	(10,829)
Net cash (used in)/generated from financing activities	<u>(7,743)</u>	<u>(13,175)</u>	<u>(33,131)</u>	<u>(11,355)</u>	<u>10,474</u>
Net increase in cash and cash equivalents	1,459	14,998	19,705	9,345	6,743
Cash and cash equivalents at the beginning of the year/period	<u>4,047</u>	<u>5,506</u>	<u>20,504</u>	<u>20,504</u>	<u>40,209</u>
<b>Cash and cash equivalents at the end of the year/ period</b>	<u><u>5,506</u></u>	<u><u>20,504</u></u>	<u><u>40,209</u></u>	<u><u>29,849</u></u>	<u><u>46,952</u></u>

For the year ended 31 March 2014, our Group recorded relatively low cash balance when comparing to that for the year ended 31 March 2015 and 2016, respectively. Such relative low cash balance was mainly due to our relatively low profit for the year ended 31 March 2014, which lead to the low amount of net cash generated from operating activities.



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## SUMMARY

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### KEY FINANCIAL RATIOS

Selected Ratios	Formulae	As at /for the year ended 31			As at/for
		2014	2015	2016	the nine months ended 31 December 2016
Return on assets	Net profit/total assets x 100%	13.5%	22.0%	32.7%	N/A (Note 2)
Return on equity	Net profit/total equity x 100%	39.9%	75.4%	209.3%	N/A (Note 2)
Gearing ratio	Total debt/total equity (Note 1)	7.2%	2.0%	51.0%	25.3%
Current ratio	Current assets/ current liabilities	1.5 times	1.4 times	1.1 times	1.3 times
Quick ratio	(Current assets – inventories)/ current liabilities	1.5 times	1.4 times	1.1 times	1.3 times
Interest coverage	Profit before interest and tax/finance costs	66.7 times	265.2 times	250.3 times	524.2 times

*Notes:*

- Total debt includes bank borrowings, amounts due to directors, amount due to ultimate holding company and obligation under finance lease.
- Calculation of return on assets and return on equity is on a full year basis.

### DIVIDEND

Our Group declared and paid interim dividend of approximately HK\$7.9 million, HK\$12.3 million and HK\$63.5 million, respectively, for the years ended 31 March 2014, 2015 and 2016. Further, for the nine months ended 31 December 2016, our Group declared a dividend of HK\$3.0 million in December 2016. For each of the two years ended 31 March 2014 and 31 March 2015 and the nine months ended 31 December 2016, they were settled by our internal resources. For the year ended 31 March 2016, parts of the interim dividend amounting to HK\$29.0 million was settled by way of offsetting against the outstanding amounts due from directors of our Company, and the remaining interim dividend amounting to HK\$34.5 million was paid in cash during the year ended 31 March 2016 from our Group's internal resources. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders, as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy, and there is no guarantee that dividends will be paid in the future.

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### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to 31 December 2016 and up to the Latest Practicable Date, six new formwork works contracts, with an aggregate original contract sum of approximately HK\$100.8 million, were awarded to our Group. Further, our Group declared a dividend of HK\$3.0 million in December 2016 and they were fully settled by our Group's internal resources in May 2017.

According to the IPSOS Report, due to the overheated property price and a softening mainland economy, which would affect the affordability of property and the buying desire of consumers, a fluctuation was shown in Hong Kong's property market in 2016. However, with the Government's supporting policy on increasing private housing supply as well as the land for private housing use, the fluctuation in Hong Kong's property market thus may not impact the building construction works and formwork works industry in Hong Kong. As such, our Directors believe that such a slowdown in Hong Kong's property market will not materially affect the business operation and financial performance of our Group.

Subsequent to the Track Record Period, based on our unaudited management accounts, our trade and other receivable for the year ending 31 March 2017 increased significantly compared to the year ended 31 March 2016 primarily due to (i) the credit period of Customer H and Customer J, which have approximately 14 days after interim payment certificate issued and 49 days after interim payment certificate issued, respectively, are comparatively longer than other customers; and (ii) our retention receivables increased are mainly due to the increase in our revenue that required for retention money resulting in the increase of retention money receivables. As a result, our net operating cashflow for the year ending 31 March 2017 will be negatively impacted and result in net operating cash outflow for the year ending 31 March 2017.

Save as disclosed above, our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position, or prospects of our Group since 31 December 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up).

### FUTURE PLANS AND PROPOSED USE OF PROCEEDS

We will not receive any proceeds from the sale of Sale Shares by the Selling Shareholder in the Share Offer. We estimate that the aggregate net proceeds from the Share Offer to be received by us, after deducting underwriting commissions and estimated expenses paid and payable by our Company in connection thereto, to be approximately HK\$80.5 million, assuming the Over-allotment Option is not exercised and the Offer Price of HK\$0.40 per Share, being the mid-point of the proposed Offer Price range of HK\$0.38 to HK\$0.42 per Share. We currently intend to apply these net proceeds in the following manner:

<b>Approximate amount of net proceeds/ utilised by year ending</b>	<b>Intended applications</b>
Approximately HK\$34.5 million, or approximately 42.9%	Acquire additional machineries and equipment, including forklifts, lorry cranes and metal scaffold equipment
Approximately HK\$23.0 million, or approximately 28.5%	Purchase aluminium formwork systems with stronger hardness in bulk, which the aluminium formwork systems are durable and standardised to allow repetitive uses
Approximately HK\$10.4 million, or approximately 12.9%	Invest in human resources

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## SUMMARY

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<b>Approximate amount of net proceeds/ utilised by year ending</b>	<b>Intended applications</b>
Approximately HK\$4.8 million, or approximately 6.0%	Additional rental expense for leasing of a warehouse for storage of construction materials, machineries and equipment
Approximately HK\$7.8 million, or approximately 9.7%	General working capital

For further details on our future plans and use of proceeds, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Please also refer to the section headed “Future plans and use of proceeds – Reasons for the Listing” in this prospectus for detailed reasons for the Listing.

### OFFERING STATISTICS

	<b>Based on the minimum Offer Price of HK\$0.38 per Share</b>	<b>Based on the maximum Offer Price of HK\$0.42 per Share</b>
Market capitalisation at Listing <sup>(Note 1)</sup>	HK\$570.0 million	HK\$630.0 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share <sup>(Note 2)</sup>	<u>HK\$0.10</u>	<u>HK\$0.11</u>

#### Notes:

1. The calculation of our market capitalisation is based on 1,500,000,000 Shares which will be in issue immediately following completion of the Share Offer, but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by 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.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share is determined after the adjustments as described in note 2 in the section headed “Unaudited pro forma financial information – A. Unaudited pro forma statement of adjusted consolidated net tangible assets” in this prospectus and on the basis that 1,500,000,000 Shares are issued and outstanding as set out in the section headed “Share capital” in this prospectus, but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.

### LITIGATION AND LEGAL COMPLIANCE

As at the Latest Practicable Date, we were a party to three outstanding employees’ compensation claims and two outstanding criminal litigations. During the Track Record Period and up to the Latest Practicable Date, our Group recorded 107 personal injury accidents which may lead to potential personal injury claims and employees’ compensation claim. Please refer to the section headed “Business – Litigation and potential claims” in this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, there were certain non-compliance incidents and in particular, non-compliance with (i) the Factories and Industrial Undertaking Ordinance and the Construction Sites (Safety) Regulations; and (ii) the Mandatory Provident Fund Schemes Ordinance. For further details, please refer to the section headed “Business – Non-compliance” in this prospectus.

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### RISK FACTORS

There are a number of risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to the Share Offer and our Shares; and we believe that our major risks include:

- We have a concentration of customers during the Track Record Period
- We generate a significant portion of our revenue from Customer A and Customer B and any decrease or loss of business from Customer A and/or Customer B could adversely and substantially affect our operations and financial conditions
- Our Group determines the contract price based on our estimated time and costs involved in the project. Inaccurate estimation or ineffective cost management may adversely affect our Group's financial results
- Our revenue is substantially derived from projects which are non-recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we can secure new contracts
- Our historical results may not be indicative of our future revenue and profit margin

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

### LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately HK\$31.6 million, which will be borne as to approximately HK\$21.5 million by us and as to approximately HK\$10.1 million by the Selling Shareholder. Out of the amount of approximately HK\$21.5 million, approximately HK\$6.5 million is directly attributable to the issue of New Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated listing expenses of approximately HK\$15.0 million, was or will be charged to profit or loss, of which approximately HK\$3.7 million and HK\$6.0 million have already been recorded in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2016 and the nine months ended 31 December 2016, respectively, and approximately HK\$0.9 million and HK\$4.4 million are expected to be charged to the consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2017 and the year ending 31 March 2018, respectively. This calculation is based on the Offer Price of HK\$0.40 per Share (being the mid-point of the Offer Price range stated in this prospectus) and the assumption that 375,000,000 Shares are to be offered under the Share Offer and is subject to the adjustment based on the actual amount incurred or to be incurred.

### PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2017

Estimated unaudited consolidated profit attributable to  
owners of the Company (*Note 1*) not less than HK\$67.0 million

*Note:*

- (1) The bases on which the above profit estimate for the year ended 31 March 2017 has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended 31 March 2017 based on the audited consolidated results for the nine months ended 31 December 2016 and the unaudited consolidated results based on management accounts of the Group for three months ended 31 March 2017.

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## DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group prepared by the Reporting Accountants set out in Appendix I to this prospectus
“Affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any one of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 23 May 2017 and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not (i) a Saturday, Sunday or public holiday in Hong Kong or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of 1,244,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Statutory and general information” in Appendix V to this prospectus

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## DEFINITIONS

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“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
“ChaoShang Securities”	ChaoShang Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 2 (dealing in future contracts) regulated activities under the SFO
“China” or “PRC”	The People’s Republic of China, which excludes for, the purpose of this prospectus, Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified or supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, modified or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Kin Shing Holdings Limited (建成控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 April 2016
“Concert Parties Confirmatory Deed”	the confirmatory deed dated 5 August 2016, entered into by our ultimate Controlling Shareholders, namely Mr. Leung, Mrs. Leung and Mr. Chow to acknowledge and confirm, among other things, that they are parties acting in concert in relation to our Group, details of which are set out in the section headed “History, corporate structure and reorganisation – Parties acting in concert” in this prospectus

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Leung, Mrs. Leung, Mr. Chow and Five Continental who, together, will control the exercise of 30% or more of the voting rights in the general meeting of our Company immediately after the Share Offer
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Dakin Securities”	Dakin Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 2 (dealing in future contracts) regulated activities under the SFO
“Deed of Indemnity”	the deed of indemnity relating to the Share Offer of 375,000,000 Shares in our Company dated 23 May 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for other Group members), the particulars of which are set out in the paragraph headed “Statutory and general information – F. Other information – 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 23 May 2017 made by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), which contains certain non-competition undertakings given in favour of our Group, the particulars of which are set out in the paragraph headed “Relationship with the Controlling Shareholders – Deed of Non-competition” in this prospectus
“Director(s)”	director(s) of our Company
“Five Continental”	Five Continental Enterprise Limited (五洲企業有限公司), a company incorporated in BVI on 29 March 2016 with limited liability and a Controlling Shareholder
“Five Dragons”	Five Dragons Form Mould Limited (五龍板模有限公司), a company incorporated in Hong Kong on 2 January 2013 with limited liability and a subsidiary of our Company
“Government” or “Hong Kong Government”	the government of Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by <b>HK eIPO WHITE Form</b> Service Provider, designated by our Company

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## DEFINITIONS

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“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries
“Hin Lone”	Hin Lone Holdings Limited (顯隆股份有限公司), a company incorporated in BVI on 22 April 2016 with limited liability and a subsidiary of our Company
“HK eIPO White Form”	the application for issue of Public Offer Shares in the applicant’s own name by submitting applications online through the designed website at <b>www.hkeipo.hk</b>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designed by our Company, as specified on the designated website at <b>www.hkeipo.hk</b>
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents” or “\$”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Ho Yip”	Ho Yip Construction Company Limited (豪業建築有限公司), a company incorporated in Hong Kong on 14 November 2001 with limited liability and a subsidiary of our Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hoover”	Hoover Construction & Engineering Limited, a company incorporated in Hong Kong on 30 July 2010 with limited liability and an associate of Mr. Chow, hence a connected person
“Independent Third Party(ies)”	individual(s) or a company(ies) who is (or are) not a connected person (within the meaning of the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates
“IPSOS”	IPSOS Limited, an independent market research firm



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## DEFINITIONS

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“IPSOS Report”	an independent market research report in respect of the construction industry in Hong Kong, prepared by IPSOS Business Consulting which was commissioned by our Company
“Joint Bookrunners” or “Joint Lead Managers”	ChaoShang Securities and Dakin Securities
“Kin Wo”	Kin Wo Form Mould Engineering Limited (建和板模工程有限公司), a company incorporated in Hong Kong on 27 May 2009 with limited liability and a subsidiary of our Company
“Latest Practicable Date”	22 May 2017, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“laws”	include all laws, rules, regulations, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgements, decrees or rulings of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing (including, without limitation, the Stock Exchange) and “law” shall be construed accordingly
“Legal Counsel”	Ms. Ng Wing Shan Queenie, Barrister-at-law in Hong Kong
“Leung Pui”	Leung Pui Form Mould & Engineering Co. Limited (梁杯板模工程有限公司), a company incorporated in Hong Kong on 23 November 2001 with limited liability and a subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“Mastery”	Mastery Engineering Limited (萬利工程有限公司), a company incorporated in Hong Kong on 17 March 1994 with limited liability and a subsidiary of our Company
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, as amended from time to time
“Mr. Chow”	Mr. Chow Siu Yu (周兆裕先生), one of the Controlling Shareholders of our Company
“Mr. Leung”	Mr. Leung Chi Kit (梁志杰先生), an executive Director, a Controlling Shareholder and the spouse of Mrs. Leung
“Mrs. Leung”	Ms. Tso Yuk Ching (曹玉清女士), an executive Director, a Controlling Shareholder and the spouse of Mr. Leung
“New Shares”	the 255,000,000 new Shares to be offered by our Company under the Share Offer
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.42 and not less than HK\$0.38 at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, to be determined as described under the paragraph headed “Structure and conditions of the Share Offer – Determining the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Over-allotment Option”	the option expected to be granted by our Company to the Placing Underwriters, exercisable by Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 56,250,000 additional Offer Shares (representing 15% of the initial number of the Offer Shares) to cover over-allocations in the Placing and/or to satisfy the obligation of the stabilising manager to return securities borrowed under the stock borrowing agreement, particulars of which are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus

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## DEFINITIONS

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“Placing”	the conditional placing of the Placing Shares by the Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 337,500,000 Shares (comprising 217,500,000 New Shares and 120,000,000 Sale Shares) initially being offered by us for subscription at the Offer Price under the Placing (subject to reallocation and the Over-allotment Option as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing which is expected to be entered into by the Placing Underwriters, the executive Directors, our Controlling Shareholders (including the Selling Shareholder) and our Company on or around the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, 7 June 2017, on which the Offer Price is determined and, in any event, no later than Thursday, 8 June 2017
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure and conditions of the Share Offer” in this prospectus for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto

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## DEFINITIONS

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“Public Offer Shares”	the 37,500,000 Shares initially being offered for subscription by our Company at the Offer Price under the Public Offer (subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer, whose names are set out in the paragraph headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 May 2017 relating to the Public Offer and entered into by, our Controlling Shareholders (including the Selling Shareholder), the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters, our executive Directors and our Company, as further described in the section headed “Underwriting – Public Offer Underwriting Agreement” in this prospectus
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, corporate structure and Reorganisation” to this prospectus
“Reporting Accountants”	HLB Hodgson Impey Cheng Limited, Certified Public Accountants, the reporting accountants of our Company
“Sale Shares”	the 120,000,000 Offer Shares offered by the Selling Shareholder at the Offer Price under the Share Offer
“Selling Shareholder”	Five Continental, our existing Shareholder who has offered to sell the Sale Shares in the Share Offer
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	shareholder(s) of our Company from time to time
“Share Offer”	the Public Offer and the Placing

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## DEFINITIONS

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“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 23 May 2017, the principal terms of which are summarised under the paragraph headed Share Option Scheme in Appendix V to this prospectus
“Sole Sponsor” or “Dakin Capital”	Dakin Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sole sponsor to our Company’s application for the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Track Record Period”	comprises the period for the three years ended 31 March 2016 and the nine months ended 31 December 2016
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

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

*If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” is for identification purpose only.*

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## GLOSSARY OF TECHNICAL TERMS

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

“Construction Industry Council” or “HKCIC”	Hong Kong Construction Industry Council
“formwork”	the mould against which concrete is cast and which gives the shape and finish to the concrete surface
“GDP”	gross domestic product
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001: 2004”	ISO 14001: 2004 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“ISO 9001: 2008”	ISO 9001: 2008 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“OHSAS 18001: 2007”	OHSAS 18001: 2007 is an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“private sector”	a composition of organisations that are not owned or operated by the Government or statutory bodies

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## GLOSSARY OF TECHNICAL TERMS

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“public sector”	a composition of organisations that are owned or operated by the Government or statutory bodies
“striking”	the process of removing the formwork panels
“subcontractor”	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains certain forward-looking statements and information relating to our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

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

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

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



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## **FORWARD-LOOKING STATEMENTS**

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statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

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

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## RISK FACTORS

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

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

### **RISKS RELATING TO OUR BUSINESS**

**Our revenue is substantially derived from projects which are non-recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we can secure new contracts**

Our Group principally provides formwork works in the construction industry in Hong Kong. Our services are provided on a project-by-project and non-recurring basis, and we do not have any long term commitment with any of our customers. Our ability to compete for and secure sizable and profitable formwork contracts is one of the key factors attributing to our success as well as our ongoing growth and future profitability. Thus, our customers may vary from year to year.

As at the Latest Practicable Date, we had 30 formwork projects on hand (including projects in progress and projects awarded but our works has yet to commence). Upon completion of these on-going contracts, in the event that our Group is unable to secure new contracts, our revenue and financial performance may be adversely affected. Therefore, our future growth and profitability and success depends on, among other things, our ability to continue securing tenders and contract awards and our ability to secure new customers. We cannot guarantee that our existing customers would continue to provide us with new business opportunities after completion of current projects or would be able to seek for new customers. If our customers do not provide us with new businesses or if we are not able to seek new customers, our future revenue and profit would be adversely affected.

**Our Group determines the contract price based on our estimated time and costs involved in the project. Inaccurate estimation or ineffective cost management may adversely affect our Group's financial results**

During the Track Record Period, most of the projects awarded to us were secured through tendering. In preparation of our tenders or quotations, we base on our estimation on available information obtained from potential customers and taking into account our then prevailing level of available resources including our labour force and other projects on hand, the operational risks, the length and complexity of relevant projects. Our Directors confirm that we did not suffer material loss due to underestimation or cost overrun during the Track Record Period. However, we may suffer losses if there is any underestimation or cost overrun as our tenders or quotations may carry inherent risks, such as the risk of losses from

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## RISK FACTORS

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underestimated costs, unforeseen difficulties in completing the projects or incidents that may cause increase in our unexpected time or cost. Our ability to compete for and secure sizable and profitable formwork contracts is one of the key factors attributing to our success as well as our ongoing growth and future profitability.

Furthermore, our operating costs and gross profits may vary substantially from our original estimates as a result of the factors such as:

- our failure to accurately estimate the cost of engineering, construction materials and equipment, labour or subcontractors;
- any unanticipated technical problems requiring us to incur additional time and costs;
- any failure of our subcontractors in performing subcontracted works on time and/or up to our customers' required standard may force us to incur additional costs in replacing the defaulting subcontractor or carrying out the rectification works; and
- any exacerbation of any or most of the aforesaid factors alongside with the growth of the projects in terms of both their size and complexity.

Our Group's contracts can be divided into two types, namely, remeasurement contract and lump sum fixed price contract. For the lump sum fixed price contract, its value would then be fixed and determined upon signing of the contract. For the remeasurement contract, schedules of rates that are based on the agreed unit rates and the estimated quantities of each item to be consumed in the project are fixed and determined upon signing of the contract. Our Group will be paid based on the actual quantities of works done in the project, which normally will be measured by our customers upon completion of the works. For both contracts, if we are unable to maintain our costs within our original estimations in the course of carrying out the contracts; or if we are not able to fully cover any increases in costs such as those arising from overruns during the course of the project; or if the additional works undertaken by us are not covered in the variation orders provided in the contracts, our financial results would be adversely affected.

### **We have a concentration of customers during the Track Record Period**

We generate a significant portion of our revenue from a small number of customers during the Track Record Period. During the Track Record Period, our five largest customers accounted for 100%, approximately 98.6%, 97.8% and 89.2% of our revenue, respectively, while our largest customer during the same period accounted for approximately 46.2%, 60.6%, 61.2% and 38.1% of our revenue, respectively. These major customers may continue to account for similar or even higher proportion of our revenue in the future.

In light of the above, we face the risks associated with having a concentration of customers in the future. Furthermore, we generally do not enter into long-term contracts with our major customers. Upon completion of our contracts with these major customers on hand, if our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and profitability may be adversely affected. There is no

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## RISK FACTORS

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assurance that any of our major customers will continue to engage us as they do currently, or engage us at the same contracting rate or with the same terms. If there is any deterioration in our major customer's businesses, the number of contracts placed by them with us may also decline correspondingly.

If any of our major customers reduces the number of contracts placed with us significantly or ceases its business relationship with us, we cannot assure that we would be able to find new customers who will engage us on comparable terms, or at all, in which case our business, operating results and financial condition may be materially and adversely affected. In the event of defaulting payments by any of our major customers, we may be unable to recover significant amounts of receivables and thus our cash flows, business and financial position could be adversely affected.

**We generate a significant portion of our revenue from Customer A and Customer B and any decrease or loss of business from Customer A and/or Customer B could adversely and substantially affect our operations and financial conditions**

Our Group in the past derived a significant portion of our revenue from our largest and second largest customer, namely, Customer A and Customer B, respectively. For each of the year ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, the revenue from Customer A accounted for approximately 46.2%, 60.6%, 61.2% and 38.1% of our Group's total revenue, respectively, while the revenue from Customer B accounted for approximately 45.4%, 33.0%, 31.4% and 17.4% of our Group's total revenue, respectively. We expect to continue to derive a significant amount of our revenue from Customer A and Customer B in the near future. Taking into account the contracts on hand with Customer A and Customer B, a respective sum of approximately HK\$293.5 million and HK\$121.8 million is expected to be recognised for the year ending 31 March 2017. If Customer A and/or Customer B terminating their respective business relationship with our Group, we may not be able to secure major customers on a timely basis. There is no assurance that Customer A and/or Customer B will continue to be satisfied with our services, or Customer A and/or Customer B will continue to be our customers. Accordingly, should there be any adverse development specific to Customer A's or Customer B's operations or any other reasons resulting in the termination of our business relationship with Customer A and/or Customer B, our business, financial condition and results of operation could be adversely affected.

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

Given that our construction business is project-based, and that our fees and profit margins in respect of the relevant construction projects are dependent on the price of our tender, which may be affected by factors that are specific to the project, such as the length of the contract period, the complexity of the relevant construction designs and the expected costs of the construction works, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period.

During the Track Record Period, our gross profit amounted to approximately HK\$17.0 million, HK\$44.2 million, HK\$70.1 million and HK\$80.1 million, respectively and our gross profit margin amounted to approximately 8.5%, 9.1%, 11.7% and 13.9%, respectively. We

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## RISK FACTORS

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may not be able to sustain our historical gross profit and gross profit margin for various reasons, including but not limited to, our Group's ability to devise cost saving construction processes which are acceptable by our customers, timing of recognition of cost and revenue in different construction stages and the outcome of the negotiation of value of variation works or final accounts with our customers. With respect to our gross profit, we recorded an increasing trend for the year ended 31 March 2015 and 31 March 2016, respectively. However, such increase in our gross profit was mainly attributed to the nature of individual projects, and depends on the project scale, works nature and efficiency of labour our effectiveness in deployment of labour at the material time, and such effects may not occur in the future. As a result, we cannot assure you we will achieve the same or similar gross profit in the future and the historical results are therefore indicative only. For detailed analysis of our Group's gross profit and gross profit margin, please refer to the paragraph headed "Financial information – Period to period comparison of results of operations" in this prospectus.

Further, for the respective year ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, our revenue amounted to approximately HK\$199.8 million, HK\$483.3 million, HK\$599.4 million and HK\$574.3 million. For the same period, our net profits amounted to approximately HK\$8.7 million, HK\$29.7 million, HK\$46.2 million and HK\$50.6 million, respectively. Such trends of the historical financial information of our Group is only an analysis of our past performance. It does not have any positive implication, nor would it necessarily reflect our financial performance in the future, which will largely depend on our capability to secure new contracts and control our costs and expenditures and project implementation. Profit margins and income of our Group's construction projects may fluctuate from project to project, and the historical revenue from our construction projects may not be indicative of our future revenue or profitability. Prospective investors should be aware of the risk of our Group's failure to secure future contracts when considering our Group's financial results.

**Any significant increase in construction material costs and/or the occurrence of any substandard construction materials may have adverse impacts on our financial results**

Our principal construction materials mainly include timber and plywood, steel and accessories and aluminium. During the Track Record Period, our costs of materials were approximately HK\$37.2 million, HK\$67.0 million, HK\$57.4 million and HK\$73.0 million, respectively, representing approximately 20.4%, 15.3%, 10.9% and 14.7% of our direct costs, respectively.

Generally, we prepare tenders based on our estimated project costs (which mainly include labour costs and material costs) plus a mark-up margin. However, the related actual material costs cannot be ascertained accurately when we prepare tenders or quotations. Any unexpected material fluctuations in such charges or costs during the course of execution of our projects may affect our profitability. For further details, please refer to the sensitivity analysis illustrating the impact of hypothetical fluctuations in our material costs on our profit before tax for the Track Record Period as set out in the section headed "Financial information" in this prospectus.

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## RISK FACTORS

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There is no guarantee that the quality of construction materials supplied to our Group will always meet our required standards, and we may be forced to replace these construction materials from other suppliers at additional costs, which will also cause delay to the completion of the project. Furthermore, we cannot guarantee that the costs of these materials will be stable as we are exposed to the risk of fluctuations in the prices of these materials. If we are unable to factor these potential fluctuations into our tenders or quotations and pass all or part of such additional costs to our customers, or reduce other costs, our financial results and position may be materially and negatively affected.

### **Our project performance may be affected by the shortage of labour**

Construction works are generally labour intensive and we may encounter difficulties in securing sufficient labour for our construction works. For any construction project, a large number of workers from various disciplines with different skills may be required.

There is no assurance that the supply of labour and average labour costs will be stable at all times. Labour intensive projects are more susceptible to labour shortages. Our subcontracting fees also include the labour costs of our subcontractors. When there is a significant increase in the costs of labour, we have to retain our labour (or our subcontractors retain their labour) by increasing their wages, our labour costs and/or subcontracting fees will increase and as a result, our profitability will be adversely affected.

During the Track Record Period, our staff costs (including directors' remuneration), as part of the direct costs, amounted to approximately HK\$105.7 million, HK\$276.8 million, HK\$331.5 million and HK\$279.5 million, respectively, representing approximately 57.8%, 63.0%, 62.6% and 56.5% of our direct costs during the corresponding periods.

The labour costs have kept increasing in recent years. According to the IPSOS Report, the estimated average daily wage of workers engaging in the formwork works industry in Hong Kong increased from HK\$979.0 per day per worker in 2011 to HK\$1,614.9 per day per worker in 2016, representing a CAGR of approximately 10.5%. We cannot assure you that the labour supply and average labour costs will remain stable in the future. If we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages claims from our customers and/or incur loss.

### **Our Group may incur extra cost in workers' training and recruitment of workers following the implementation of construction workers registration scheme in 2017**

The Construction Workers Registration Ordinance (CWRO) was enacted in July 2004 with the principal objective to establish a construction workers registration system through assessment and certification of the skill levels of all construction workers so as to ensure quality of construction works and to raise the status of construction workers. Following the amendment of the Construction Workers Registration Ordinance in 2014, the requirements of "designated workers for designated trades" have been fully implemented under the construction workers registration scheme in April 2017. Skilled construction workers are required to register according to their respective skills. Registered workers with skills in

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## RISK FACTORS

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carpenter (formwork – building construction) are generally required in most of the works of our Group. It is expected that our Group may incur extra resources in workers training to satisfy the registration scheme promulgated by the Government. Cost of workers may also increase following the implementation of relevant qualification framework. Failure to recruit workers with suitable qualification and registration at reasonable cost or at all will have material and adverse effect to the operations of our Group.

### **Construction litigation and disputes may adversely affect our Group's performance**

Owing to the nature of our business, we are exposed to the risks of getting into disputes with our customers, subcontractors, workers and other parties concerned with our projects of various reasons. Such disputes may be in connection with the delivery of substandard works, late completions of works, labour compensations or personal injuries in relation to the works. For example, contractual claims may arise regarding the payment of outstanding contract fees with our subcontractors, and personal injuries compensation claims may arise in relation to any industrial accidents happened in our construction sites. Please refer to the paragraph headed “Business – Litigation and potential claims” in this prospectus for further information on the disputes or litigation we encountered during the Track Record Period.

Our management's attention and internal resources may be significantly diverted for the handling of such contractual disputes, litigations and other legal proceedings, which can be both costly and time consuming. Regardless of the merits of the case, these disputes may damage our relationship with the relevant customers, suppliers, subcontractors or workers, which may affect our reputation in the construction industry, thus adversely affect our business operations, financial results and profitability.

### **Our liquidity position may be adversely affected if the progress payment or the retention money is not paid or released to us on time or in full or the construction project cash flows are fluctuated**

We normally apply for progress payments each month, and subsequently receive progress payments from our customers, who are mainly the main contractors as we principally act as a subcontractor. A progress payment is generally made monthly by reference to the value of works done in that month. A portion of the contract value (which is generally subject to a maximum of 5% of the total contract value) is usually withheld by our customers as retention money, which will only be released to us partially after completion of the works and the remaining is released to us after a period ranging from six months to 24 months, depending on the terms of individual contracts, after completion of our works. During the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, retention money receivables of approximately HK\$5.0 million, HK\$11.3 million, HK\$14.3 million and HK\$30.2 million, respectively were retained by our customers.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers and subcontractors which provide us with construction materials and subcontracting services to complete our construction works. Progress payments will not always be paid to us on time and in full. We would experience significant cash flow mismatch when there is a significant timing difference between making payments to our suppliers and subcontractors

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## RISK FACTORS

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and receiving payments from customers. The retention money or any future retention money may not be paid by our customers to us on a timely basis or in full due to the examination process of completed works, which may give rise to disputes. When there is any significant delay in the examination process or dispute arises with respect to the works completed, it may result in delays in payments. Further, our customers may make changes to the original design or require additional services through variation orders. However, the additional works carried out by us may not be fully covered under the scope of variation orders set out in the original contract sum. There are occasions that additional fees cannot be determined or agreed upon with our customers generally throughout the various stages of the project. Thus we may only receive part of progress payment during the course of the project. Any failure by our customers to make payment on time or in full may have an adverse effect on our future liquidity position. If we are not able to maintain a sufficient amount of working capital and cash flow for meeting these cost requirements, our capacity to undertake new projects may be limited and accordingly, our financial performance and results of operations may be adversely affected.

The credit terms in relation to the settlement of amounts due from our customers for the works completed by us vary from contract to contract. Such credit terms may make reference to the payment certificate date or payment application date, with settlement typically ranging from 17 days to 30 days from payment application date, depending on the terms of individual contracts. Our trade receivables amounted to approximately HK\$22.2 million, HK\$60.7 million, HK\$27.9 million and HK\$103.5 million as at 31 March 2014, 2015 and 2016 and 31 December 2016, respectively. We have not written off any receivables as uncollectible during the Track Record Period. However, there is no assurance that the financial position of our customers will remain healthy in the future. If our customers experience any financial distress or are unable to settle their payments due to us or release the retention money to us in a timely manner or at all, our financial condition and results of operations could be materially and adversely affected.

Furthermore, net cash outflows are normally recorded at the early stage of works when we are required to pay certain set-up expenditures for most of our construction projects. Accordingly, we have to commit a certain amount of cash and other resources prior to receiving any payments and thus, we typically incur significant costs associated with a project at the beginning of a project. Progress payments will be paid after our construction works have started and will be certified by our customers or authorised persons employed by them. Accordingly, the cash flows for a particular project will turn into cumulative net inflows gradually as the construction works progress. Please see the paragraph headed “Business – Our operations” in this prospectus for more information.

If we start a number of projects simultaneously, which require substantial initial set-up costs at time where we have significantly lower cash inflows from other projects at any particular time period, our cash flow position may be adversely affected.

### **The price of our variation works may not be clearly determined**

During the course of implementation of the construction projects, our customers may give us “variation orders” and request us to change or modify the scope of works or perform works beyond the scope of original contracts from time to time. The terms of these variation



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orders have to be agreed upon between our Group and the authorised representatives of the customers based on, among others, the general principle that if any additional works to be carried out is the same as or similar in nature to (and executed under the same or similar conditions and circumstances) any item of work already set out and priced in the original contract, these additional works shall be valued at the same rate set out in the original contract. However, if the additional works are not the same or similar in the manner set out above or the items of the additional works are not included in the original contracts and our Group and the customers and/or their authorised representatives fail to reach an agreement on the rate for carrying out the variation works, the customers and/or their authorised representatives would fix the rate that they unilaterally think reasonable. If our Group disagrees on such rates, contractual disputes with our customers may arise. Our results of operation, liquidity position and financial position may therefore be adversely affected.

### **Reliance on subcontractors**

Our Group may from time to time engage subcontractors to perform part of our formwork works or a particular work process, such as facade installation works, in our works. The subcontracting fee amounted to approximately HK\$24.8 million, HK\$74.1 million, HK\$113.9 million and HK\$114.6 million respectively for the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, representing approximately 13.6%, 16.9%, 21.5% and 23.2% of our direct costs during the corresponding periods respectively.

Sometimes, we may not be able to monitor the performance of our subcontractors as efficiently as commended to our own staff. In addition, our inability to engage pre-approved subcontractors could hinder our ability to complete a project successfully.

The subcontracting arrangement also exposes us to the risks which are associated with non-performance, delayed performance or sub-standard performance of our subcontractors. Accordingly, the quality of our work may deteriorate or the completion of our construction projects may be delayed. We may be subject to liability under the relevant contracts with customers for our subcontractor's performance. These events may impact our profitability, financial performance and reputation, as well as result in litigation or damages claims made against us.

Owing to the nature of the business, our subcontractors are also exposed to the risks in relation to safety of the construction sites, environmental protection and/or compliance with relevant employment laws and regulations, which may affect their renewal of relevant registrations or licences or may even lead to revocation of their registrations or licences. If this happens to our subcontractors in our projects, we will have to appoint another subcontractor(s) for replacement and additional costs will be incurred.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may sometimes be subject, as the primary obligor, to prosecutions by relevant authorities. For instance, under the Immigration Ordinance, 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 charged of the relevant offence and be liable to all legal consequences thereof. In addition, we may be

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subject to claims for losses and damages, if our subcontractors cause any personal injuries/death or damage to the properties of any third party. Moreover, pursuant to the Employment Ordinance, (i) a principal contractor is, or (ii) a principal contractor and every superior subcontractor are, jointly and severally, liable to pay any wages that become due to an employee who is employed by a subcontractor for carrying out any work which the subcontractor has contracted to perform. If such wages are not paid within the period specified in the Employment Ordinance and we are liable to pay the wages in lieu of our subcontractors, our operations and financial results may be adversely affected if any of our subcontractors violates its/his obligations in relation to any laws, rules or regulations.

### **We have records of non-compliance with certain Hong Kong regulatory requirements**

We have previously been involved in a number of non-compliance matters on various occasions, including non-compliance with (i) the Factories and Industrial Undertakings Ordinance and the Construction Sites (Safety) Regulations; and (ii) the Mandatory Provident Fund Schemes Ordinance. For details, please refer to the paragraph “Business – Non-compliance” in this prospectus. All acts pertaining to these non-compliances had ceased as at the Latest Practicable Date.

### **We rely on key management personnel**

Our success and growth is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team and our capability to identify, hire, retain suitable and qualified employees, including management personnel with the necessary industry expertise as described in the section headed “Directors, senior management and employees”. Our Directors and members of senior management, in particular, our executive Directors, are important to us as they have extensive experience and business connections in the construction industry in Hong Kong. Any unanticipated departure of our Directors and/or our senior management team without appropriate replacement may have a material adverse impact on our business operations and profitability.

### **Our business may be affected by industrial actions or strikes**

Construction works are typically divided into several disciplines, and each require specialised labour. Industrial actions of any one discipline may disrupt the progress of our construction works. During the Track Record Period, our construction projects did not encounter any strike actions. However, there is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business performance and also the profitability and results of operation. Any delays in the completion of our construction works caused by such actions may also be taken into consideration by our customers in the private and public sectors when considering our tenders to be submitted in the future, and thus will have an adverse impact on our chances of winning future tenders.

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### **Dividends declared in the past may not be indicative of our future dividend**

Three members of our Group declared aggregate interim dividends of approximately HK\$7.9 million, HK\$12.3 million and HK\$63.5 million, respectively, for each of the years ended 31 March 2014, 2015 and 2016. Further, for the nine months ended 31 December 2016, our Group declared a dividend of HK\$3.0 million in December 2016 and they were fully settled by our Group's internal resources in May 2017.

Any declaration of dividends proposed by our Directors after the Listing and the amount of such dividends will depend on various factors. These factors include our results of operation, financial conditions, future prospects and other factors which our Directors may then consider to be important. For further details of the future dividend of our Company, please see the paragraph headed "Financial information – Dividend" in this prospectus. Dividends declared in the past are not indicative of our future dividend. We cannot guarantee if and when dividends will be paid in the future.

### **Our Group's operations may be affected by inclement weather conditions and are subject to other construction risks**

Most of our business operations are conducted outdoors and are susceptible to inclement weather. If the inclement weather persists or natural disasters occur, we may be prohibited from performing works at our construction sites, and as a result, we may not be able to meet the specified time schedule. If we have to halt operations during inclement weather or natural disasters, we may continue to incur operating expenses such as labour costs and equipment rental. If our project is delayed and the terms of the contract do not accommodate for such delays or our customers do not grant us with a sufficient extension of time for completion, we may be liable to pay for any liquidated damages to our customers according to the relevant contract terms, which will adversely affect our financial results. In addition, our business is subject to the outbreak of severe communicable diseases (such as swine flu, avian flu and severe respiratory syndrome), natural disasters or other acts of God, which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society of Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disruption to our operations and destroy our works performed. If any of such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult for us to predict the potential effects of these incidents and their materiality to our business as well as those of our customers, suppliers, subcontractors and employers.

## **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

### **Market conditions and trends in the construction industry and in the overall economy will affect our performance**

All of our operations and management took place in Hong Kong during the Track Record Period. The continued availability of large construction projects will affect the future growth and level of profitability of the construction industry in Hong Kong. The nature, extent and timing of such projects will, however, be determined by a variety of factors such as the land supply in Hong Kong and public housing policy, the government budgets, the

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investment of property developers and the general conditions and prospects of Hong Kong's economy. They may affect the availability of construction projects from the public sector or private sector.

Other than the Government's public spending, other factors can affect the construction industry as well. These other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If there is any recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for construction works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

### **We operate in a competitive environment**

The construction industry in Hong Kong is very competitive and has many participants. We generally consider that other construction companies operating in Hong Kong play the role of our competitors as well as our business partners in our construction business. New participants who possess appropriate skills, local experiences, necessary machineries and equipments, capital and are eligible for the grant of the requisite licences by the relevant regulatory bodies may enter the industry and compete with our Group. Intense competition may result in lower operating margins and loss of market shares, which may adversely affect our profitability and operating results.

### **We are subject to environmental liability**

Our business in Hong Kong is subject to the environmental regulations and guidelines issued by the Hong Kong Government, which apply to the operation of all construction projects in Hong Kong. Such regulations and guidelines may be revised by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

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

Notwithstanding that we require our employees to strictly adhere to and implement all the safety measures and procedures as stipulated in our work and safety manuals in the course of our operations, there is an inherent risk of accidents resulting in personal injuries, property damages and/or fatalities in construction sites. We generally supervise and monitor closely our employees in the implementation of all such safety measures and procedures during execution of works. However, we cannot guarantee that our employees, or those of our subcontractors will follow our safety measures and/or will not breach any applicable rules, laws or regulations. If any such employees fails to follow safety measures at our construction sites, personal injuries, property damage or fatal accidents may be resulted. Any personal injuries and/or fatal accidents to the employees of our Group or our subcontractors may lead to claims or other legal proceedings against our Group. As at the Latest Practicable Date, our Group was subject to certain claims in relation to personal injuries, and such proceedings were still on-going. Further information regarding such claims is set out in the paragraph headed "Business – Litigation and potential claims" in this prospectus.

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## RISK FACTORS

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Such claims may expose us to the risk of bearing higher insurance premiums in the future. They may also harm the reputation of our Group if they turn into high profile cases and become widely reported in the media or within the industry. If such incidents occur, our business prospects, reputation and results of operation may be adversely and materially affected.

### **RISKS RELATING TO THE SHARE OFFER AND OUR SHARES**

#### **Investors will experience immediate dilution**

In the event that the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, subscribers or purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted consolidated net tangible assets value to HK\$0.10 and HK\$0.11 per Share, based on the Offer Price of HK\$0.38 and HK\$0.42 respectively.

#### **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 to finance our business expansion after Listing through the issue of new equity or equity-linked securities of our Company, which are not made on a pro rata basis to existing Shareholders. In such an event, (i) the 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 ordinary Shares held by existing Shareholders.

There was no prior public market for our Shares. If an active trading market for our Shares does not develop, the prices of our Shares may be adversely affected and may decline below the Offer Price. Further, the Offer Price was the result of negotiations between us (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters). Such Offer Price may differ significantly from the market price for the Shares following the Share Offer.

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

#### **Following the Share Offer the liquidity and market price of our Shares may be volatile**

The price and trading volume of our Shares may be highly volatile due to factors such as variations in our revenue, earnings and cash flows and announcements of major construction works contracts awarded. All of the aforementioned factors could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

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## RISK FACTORS

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**There is a time lag between pricing and commencement of trading of the Shares, and 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, 7 June 2017. However, the trading of Shares on the Main Board will not commence until the Listing Date, which is expected to be on Friday, 16 June 2017. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price could fall before trading begins, resulted from adverse market conditions or other adverse developments that could occur between the said period of time.

**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**

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 Companies 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 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 the paragraph headed "3. Cayman Islands Company Law" in Appendix IV in this prospectus.

**Future sales of a substantial number of Shares by our existing Shareholders in the public market may materially and adversely affect the prevailing market price of our Shares**

The Shares held by our existing Shareholders are subject to lock-up commencing on the date on which trading of our Shares commences on the Stock Exchange. While we are not aware of any intentions of our existing Shareholders to dispose of a significant amount of their Shares upon expiry of the relevant lock-up periods, there is no assurance that they would not dispose of the Shares held by them. We cannot predict the subsequent effect on the then prevailing market price of our Shares after any of such disposal. Sale of substantial amounts of the Shares by any of our existing Shareholders, or the market perception that such sales may occur, could have a material and adverse effect on the prevailing market price of our Shares.

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## **RISK FACTORS**

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### **Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares**

After Listing, the prevailing market price of Shares may be negatively impacted by future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issue or sale may occur. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. We cannot give any assurance that they will not dispose of Shares they may own now or in the future.

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

In the future, our Company may grant share options under the Share Option Scheme. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation under the HKFRS, which may adversely affect our Group's results of operations. The issue 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 an issue. It may also result in the dilution of percentage ownership of the Shareholders, the earnings per Share and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme up to the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed "E. Share Option Scheme" in Appendix V in this prospectus.

## **RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS**

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

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

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

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## RISK FACTORS

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There may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus prior to the publication of this prospectus. We wish to emphasise to potential investors that neither we nor the Selling Shareholder, any of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, our directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer have authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor the Selling Shareholder, any Professional Parties accept any responsibilities for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibilities and liabilities whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained in this prospectus and the Application Form.



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## WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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### ACCOUNTANTS' REPORT

It is stated in Rule 4.04(1) of the Listing Rules that “in the case of a new applicant the accountants’ report must include the results of the issuer or, if the issuer is a holding company, the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Stock Exchange”.

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

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in this prospectus a statement as to its gross trading income or its sales turnover (as may be appropriate) during each of the three financial years immediately preceding the issue of this prospectus.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in this prospectus a report by the auditors of the Company with respect to (a) the profits and losses of the Company; and (b) the assets and liabilities of the Company for each of the three financial years immediately preceding the issue of this prospectus.

The Company’s financial year end dates are on 31 March. The accountants’ report of the Company set out in Appendix I to this prospectus is currently prepared to cover the three full financial years ended 31 March 2016 and the nine months ended 31 December 2016.

As such, the Sole Sponsor has applied on behalf of the Company to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules on the following conditions:

- (a) the Company issues this prospectus by 31 May 2017, and lists on the Stock Exchange on or before 30 June 2017;
- (b) the Company obtains a certificate of exemption from the SFC from strict compliance with requirements under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 of Part I and 31 of Part II of the Third Schedule;
- (c) this prospectus includes a profit estimate for the year ended 31 March 2017 which complies with Rules 11.17 to 11.19 of the Listing Rules; and

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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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- (d) a Directors' statement that save as the Listing expenses, there is no material adverse change to the Group's financial and trading positions or prospect with specific reference to the trading results from 1 January 2017 to 31 March 2017 shall be included in this prospectus.

Further, an application has been made to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance about the inclusion of the accountants' report covering the full year ended 31 March 2017 in this prospectus on the ground that it would be unduly burdensome for the Group's consolidated results for the financial year ended 31 March 2017 to be finalised within a short period of time.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the requirements under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 of Part I and 31 of Part II of the Third Schedule on the conditions that (a) particulars of the exemption are set out in this prospectus; and (b) this prospectus will be issued on or before 31 May 2017, and the listing of the Shares on the Stock Exchange on or before 30 June 2017.

The Directors consider that the waiver and the exemption as mentioned above would not prejudice the interests of the investing public on the following grounds:

- (a) after performing sufficient due diligence on the Group and after conducting sufficient due enquiries, they are not aware of any event since 31 December 2016 which would adversely and materially affect the information shown in the accountants' report set forth in Appendix I to this prospectus and other financial information set forth in this prospectus;
- (b) save as the Listing expenses, there has been no material adverse change in the financial and trading positions or prospects of the Group from 31 December 2016 to 31 March 2017; and
- (c) the inclusion of financials for the three financial years ended 31 March 2016 and the nine months ended 31 December 2016 in this prospectus includes all information as may be reasonably necessary to enable the investors to make an informed assessment of the activities, assets and liabilities and financial position of the Group.

The Directors confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Group has been included in this prospectus and as such, the waiver granted by the Stock Exchange from strict compliance with Rule 4.04(1) of the Listing Rules and the exemption granted by the SFC from strict compliance with requirements under

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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule will not prejudice the interests of the investing public. The Directors and the Sponsor confirmed that after performing sufficient due diligence work, up to the date of this prospectus, there has been no material adverse change, save as the listing expenses, in the financial and trading positions or prospects of the Group from 1 January 2017 to 31 March 2017 and there is no event since 1 January 2017 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus. The Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the requirements for publication of annual results and annual report for the year ended 31 March 2017.

A profit estimate for the year ended 31 March 2017 which complies with Rules 11.17 to 11.19 of the Listing Rules is included in Appendix III to this prospectus.

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Our Group has entered into certain transactions with connected persons that are expected to continue after the Listing, which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with the requirements in respect of the relevant non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waiver are set out in the section headed "Connected transactions" in this prospectus.

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

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

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

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all materials 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.

### **PUBLIC OFFER, UNDERWRITING AND INFORMATION ON THE SHARE OFFER**

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to us (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. A Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around 7 June 2017, subject to the Offer Price being agreed. The Share Offer is managed by the Joint Bookrunners.

If, for any reason, the Offer Price is not agreed among us (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

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

The procedures for applying for Public Offer Shares are set out in the section entitled “How to apply for Public Offer Shares” and on the relevant Application Forms.

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

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

### **RESTRICTIONS ON SALE OF OFFER SHARES**

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation 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 applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus pursuant to the Share Offer (including Shares to be issued pursuant to the Capitalisation Issue and Shares which may fall to be issued upon the exercise of any options that may be granted under the Share Option Scheme).

Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

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

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

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### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 16 June 2017. The Shares will be traded in board lots of 6,000 Shares each. The stock code of the Shares will be 1630.

### **ADMISSION OF THE SHARES INTO CCASS**

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

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

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.

### **REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal register of members will be maintained by our principal registrar, Eterra Trust (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

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

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

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### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Group, our Directors, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

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

The procedure for application for Public Offer Shares is set out in the section headed “How to apply for the Public Offer Shares” in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE OFFER SHARES**

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

### **ROUNDING**

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

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

### **LANGUAGE TRANSLATION**

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

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

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### **CURRENCY TRANSLATIONS**

Unless otherwise specified, translation of RMB into HK\$ and US\$ into HK\$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

RMB0.86: HK\$1.00

US\$1.00: HK\$7.78

No representation is made that any amount in RMB, US\$ and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or at any other rate.



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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Leung Chi Kit (梁志杰)	Flat B, 10/F Sun Tower, The Arch 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Chinese
Ms. Tso Yuk Ching (曹玉清)	Flat B, 10/F Sun Tower, The Arch 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Chinese
Mr. Chow Dik Cheung (周迪将)	1/F, Block 70, Tai Wai New Village Shatin New Territories Hong Kong	Chinese
Mr. Chan Sik Mau (陳錫茂)	Room 1901, Foo Wai House Sun Tin Wai Estate Shatin New Territories Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Chang Chun Pong (張振邦)	Flat F, 27/F, Block 1, Cayman Rise 29 Ka Wai Man Road Kennedy Town Hong Kong	Chinese
Mr. Tsui Leung Cho (徐良佐)	Flat E & F, 14/F, Lee Wing Building 158 Hennessy Road Wanchai Hong Kong	Canadian
Mr. Lam Kai Yeung (林繼陽)	No. 160A, Tai Wai New Village Sha Tin New Territories Hong Kong	Chinese

For further information, please refer to the section headed “Directors, senior management and employees” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

**Sole Sponsor**

**Dakin Capital Limited**  
Room 2701, Admiralty Centre  
Tower 1, 18 Harcourt Road  
Admiralty  
Hong Kong

**Joint Bookrunners, Joint Lead  
Managers and Underwriters**

**Dakin Securities Limited**  
Room 2701, Admiralty Centre  
Tower 1, 18 Harcourt Road  
Admiralty  
Hong Kong

**ChaoShang Securities Limited**  
Room 4001-4002, 40/F  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

**Legal advisers to our Company**

*As to Hong Kong law:*  
**Hastings & Co.**  
*Solicitors, Hong Kong*  
5/F Gloucester Tower, The Landmark  
11 Pedder Street  
Central  
Hong Kong

*As to Hong Kong law:*  
**Ms. Ng Wing Shan Queenie**  
*Barrister-at-law*  
Rooms 2203 A&B  
Fairmont House  
8 Cotton Tree Drive  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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*As to Hong Kong law:*

**Mr. Chan Chung**

*Barrister-at-law*

10/F, Grand Building  
15-18 Connaught Road Central  
Central  
Hong Kong

*As to Cayman Islands law:*

**Appleby**

*Cayman Islands attorneys-at-law*

2206-19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

**Legal advisers to the Sole  
Sponsor, the Joint  
Bookrunners, the Joint Lead  
Managers and the  
Underwriters**

**TC & Co.**

*Solicitors, Hong Kong*

Units 2201-3, Tai Tung Building  
8 Fleming Road  
Wan Chai  
Hong Kong

**Reporting Accountants**

**HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**Property valuer**

**Roma Appraisals Limited**

Unit 3806, 38/F  
China Resources Building  
26 Harbour Road  
Wan Chai  
Hong Kong

**Receiving bank**

**DBS Bank (Hong Kong) Limited**

16th Floor, The Center  
99 Queen's Road Central  
Hong Kong

**Selling Shareholder**

**Five Continental Enterprise Limited**

Jayla Place  
Wickhams Cay I  
Road Town  
Tortola  
British Virgin Islands

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## CORPORATE INFORMATION

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<b>Headquarter and principal place of business in Hong Kong</b>	Unit D, 9/F Billion Plaza 2 10 Cheung Yue Street Cheung Sha Wan Kowloon Hong Kong
<b>Registered office in the Cayman Islands</b>	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Company's website address</b>	<a href="http://www.kinshingholdings.com.hk">http://www.kinshingholdings.com.hk</a> <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Chow Kit Ting ( <i>HKICPA</i> ) Flat A, 60/F, Tower 9 Metro Town, Tiu Keng Leng Hong Kong
<b>Authorised representatives</b>	Mr. Leung Chi Kit Flat B, 10/F Sun Tower, The Arch 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong  Mr. Chow Kit Ting ( <i>HKICPA</i> ) Flat A, 60/F, Tower 9 Metro Town, Tiu Keng Leng Hong Kong
<b>Audit committee</b>	Mr. Lam Kai Yeung ( <i>Chairman</i> ) Mr. Chang Chun Pong Mr. Tsui Leung Cho
<b>Remuneration committee</b>	Mr. Chang Chun Pong ( <i>Chairman</i> ) Mr. Leung Chi Kit Ms. Tso Yuk Ching Mr. Tsui Leung Cho Mr. Lam Kai Yeung

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## CORPORATE INFORMATION

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<b>Nomination committee</b>	Mr. Leung Chi Kit ( <i>Chairman</i> ) Ms. Tso Yuk Ching Mr. Chang Chun Pong Mr. Tsui Leung Cho Mr. Lam Kai Yeung
<b>Cayman Islands principal share registrar and transfer office</b>	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Compliance adviser</b>	Dakin Capital Limited Room 2701, Admiralty Centre Tower 1, 18 Harcourt Road Admiralty Hong Kong
<b>Principal bank</b>	Bank of East Asia 7 Hong Ning Road Kwun Tong Hong Kong

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## INDUSTRY OVERVIEW

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*The data and information presented in this section and elsewhere in this prospectus, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by IPSOS, which was commissioned by us. The Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. The Company and the Sole Sponsor have no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by the Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, their respective directors and officers or any other parties involved in the Share Offer. No representation is given as to the accuracy or completeness of such information and statistics.*

### INTRODUCTION

We have commissioned IPSOS Business Consulting, a division of the independent market research company IPSOS, to analyse and report on the industry development, trends and competitive landscape of the formwork works industry in Hong Kong for the period from 2011 to 2020, at a fee of HK\$408,000. IPSOS is an independent market research company and is one of the largest research companies in the world, employing approximately 16,000 personnel worldwide across 87 countries. The Business Consulting division conducts research on market profiles, analysis on market size, share and segmentation, distribution and value analysis, competitor tracking and corporate intelligence.

In compiling the IPSOS Report, IPSOS Business Consulting obtained and gathered data and intelligence by: (a) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of IPSOS Business Consulting; (b) performing client consultation to obtain background information of our Company; and (c) conducting primary research by interviewing key stakeholders and industry experts, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as the Government officials, developers, main contractors, subcontractors, architectures, quantity surveyors, and associations in the building services industry in Hong Kong.

The information and data gathered by IPSOS Business Consulting have been analysed, assessed and validated using IPSOS' in-house analysis models and techniques. The methodology used by IPSOS Business Consulting is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy. Our Directors confirmed that, as at the Latest Practicable Date, to the best of their knowledge, after taking reasonable care, there is no adverse change in the market information since the date of the IPSOS Report or the date of the relevant data contained in the IPSOS Report which may qualify, contradict or have an impact on the information in this section.

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## INDUSTRY OVERVIEW

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Except as otherwise noted, all of the data and forecasts contained in this section are derived from the IPSOS Report.

### ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are adopted in the preparation of the IPSOS Report:

- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction industry and hence the formwork works industry over the forecast period in Hong Kong.
- The supply of formwork works is expected to grow under Hong Kong Government's initiative to increase residential and commercial building supply.

The following parameters have been taken into account in the preparation of the IPSOS Report:

- GDP value and GDP growth rate in Hong Kong from 2011 to 2015
- Gross fixed capital formation value in Hong Kong from 2011 to 2015
- Total investment value in construction projects in Hong Kong from 2011 to 2015
- Total number of private real estate development projects in Hong Kong from 2010 to 2014
- Number of workers engaging in construction industry in Hong Kong from 2011 to 2015
- Total number of public housing units newly completed by Housing Authority in Hong Kong from 2011 to 2015
- Total number of private residential housing units newly completed in Hong Kong from 2011 to 2015
- Public expenditure on infrastructure in Hong Kong from 2011 to 2015
- Total square meter of private office premises newly completed in Hong Kong from 2011 to 2015
- Total square meter of private commercial premises newly completed in Hong Kong from 2011 to 2015
- Gross output value of overall construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2011 to 2015
- Gross output value of building construction works at construction sites in Hong Kong from 2011 to 2015

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## INDUSTRY OVERVIEW

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- Estimated revenue of formwork works industry in Hong Kong from 2011 to 2015
- Average fee of formwork works project in Hong Kong from 2011 to 2015
- Number of workers engaging in formwork works industry in Hong Kong from 2011 to 2015
- Average wage trend of workers engaging in the formwork works industry in Hong Kong from 2011 to 2015
- Historical price trend of key materials used in the formwork works industry in Hong Kong from 2011 to 2015

### MARKET OVERVIEW OF THE BUILDING CONSTRUCTION WORK CONTRACTING INDUSTRY IN HONG KONG

The construction industry is quite competitive and subcontracting activities are common in the industry. There were about 715 general building contractors registered with the Buildings Department as of March 2017, which were eligible for private construction works. In addition, about 274 contractors were approved by the Development Bureau for public sector works including buildings, roads and drainage, port works, site formation and waterworks.

The total gross output value of construction works performed by main contactors at construction sites in Hong Kong reached about HK\$157.1 billion in 2016 and the total gross output value of construction works performed by subcontractors reached about HK\$30.7 billion in 2016. Overall, the gross output value of construction works performed by main contractors and subcontractors in Hong Kong grew from about HK\$89.0 billion in 2011 to about HK\$187.8 billion in 2016, at a CAGR of approximately 16.1%.

The following table sets out the gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong.

<i>(HK\$ billion)</i>	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F
Subcontractors	11.6	20.4	23.8	32.5	30.0	30.7	34.4	36.9	38.6	39.8
Main Contractors	<u>77.4</u>	<u>104.1</u>	<u>111.8</u>	<u>122.8</u>	<u>143.2</u>	<u>157.1</u>	<u>174.7</u>	<u>186.5</u>	<u>195.6</u>	<u>201.6</u>
Total gross output value of construction works performed	<u>89.0</u>	<u>124.5</u>	<u>135.6</u>	<u>155.2</u>	<u>173.2</u>	<u>187.8</u>	<u>209.1</u>	<u>223.4</u>	<u>234.1</u>	<u>241.4</u>

*Notes: (1) Data refers to gross value of construction works in nominal terms performed by main contractors and subcontractors at construction sites. (2) Both private sector and public sector are included. (3) Total output value of construction works may not equal to the summation of values of main contractor for both public and private sectors and subcontractors due to the rounding-off issues. (4) Totals may not add up due to rounding.*

*Sources: Census and Statistics Department, Hong Kong; the IPSOS Report*



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## INDUSTRY OVERVIEW

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The growth in subcontractors' gross output value is mainly due to the fact that multi-disciplinary contractors were awarded large and complex contract packages. With the multilevel outsourcing and subcontracting trend, along with the positive outlook of Hong Kong's construction industry, the size of subcontracting in the overall construction works is expected to grow continuously over the forecast period.

According to the 2016 Policy Address, the Government will continue to increase the land used for commercial and economic activity through measure such as converting suitable Government, Institution or Community (GIC) sites in core business districts into commercial use and the development of Kowloon East as an alternative core business district. The public construction sector, which witnessed a strong growth in project value is expected to continue to thrive in the coming years. On the private sector's side, the total number of private residential housing units completed in Hong Kong reached at 11,280 in 2015 and 14,595 in 2016. The total floor area of private commercial buildings is expected to reach to approximately 123,100 square meters in 2016.

### MARKET OVERVIEW OF THE FORMWORK WORKS INDUSTRY IN HONG KONG

Formwork is a crucial part of building construction. It is used to contain poured concrete and to mound the poured concrete to the required shape and dimensions. Formwork works are usually used for the construction of walls, columns, floor slabs and staircases.

Formwork systems are among the key factors determining the success of a construction project in terms of speed, quality, cost and safety of works. The design and use of the right formwork system, as well as stipulation of an effective resource planning strategy to control and maximize the use of the formwork, are crucial to the overall success of a project. Hence, the demand for formwork works is highly dependent on overall demand for construction projects.

### Estimated Revenue of Formwork Works Industry in Hong Kong from 2011 to 2020

The revenue of the formwork works industry increased due to the growth of building construction works industry in Hong Kong. The following table sets out the estimated revenue of formwork works industry in Hong Kong:

<i>(HK\$ million)</i>	2011	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Estimated revenue of formwork works industry in Hong Kong	2,541.7	3,421.6	3,381.8	4,047.8	4,994.2	5,271.9	5,652.3	6,289.1	6,549.0	6,781.5

*Note:* Actual data for 2016 will be tentatively available in June 2017.

*Sources:* 2016-17 Budget Speech, Hong Kong; the IPSOS Report

The estimated revenue of formwork works industry in Hong Kong increased from approximately HK\$2,541.7 million in 2011 to approximately HK\$4,994.2 million in 2015, growing at a CAGR of approximately 18.4%. With the public and private construction sectors' anticipated continuous growth, it is expected that the revenue of the formwork works industry in Hong Kong will grow at a CAGR of approximately 6.5%, from about HK\$ 5,271.9 million in 2016 to about HK\$6,781.5 million in 2020.

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## INDUSTRY OVERVIEW

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The general project fee for formwork works is highly variable, ranging from less than a million Hong Kong dollars to hundreds of million Hong Kong dollars.

### **The Number of Workers Engaging in Formwork Works Industry in Hong Kong from 2011 to 2016**

The number of workers engaging in formwork works in Hong Kong increased from 2011 to 2016, mirroring the robust demand for building construction works. The following table sets out the estimated number of construction workers in the formwork works industry in Hong Kong:

	2011	2012	2013	2014	2015	2016
Estimated number of workers engaging in formwork works in Hong Kong	10,235	10,187	10,480	10,870	16,525	29,120

*Note:*

- (1) Data includes Bamboo Scaffolder, Builder's Lift Operator, Carpenter (Formwork-Building Construction), Carpenter (Building Construction) (Striking), Carpenter (Civil Construction), Carpenter (Civil Construction) (Striking), Carpenter (Master), General Welder, Plant and Equipment Operator (Tower Crane), Rigger/Metal Formwork Erector and Scaffolder (Master).

*Sources: Census and Statistic Department, Hong Kong; the IPSOS Report*

The number of workers engaging in the formwork works industry in Hong Kong increased from about 10,235 in 2011 to about 29,120 in 2016, at a CAGR of about 23.2%. Due to the rising demand for the large scale and complex building construction work projects in the past five years, including residential buildings as well as commercial buildings, the number of workers involved in the formwork works industry in Hong Kong has grown between 2011 and 2016. As the labour shortage and aging problem has been a lasting concern in Hong Kong's construction industry, the Government has taken initiatives to increase the construction workers supply. The Government has invested about HK\$320 million during 2010 and 2015 to organize training courses and implement subsidy scheme to encourage young people to join the industry, which has helped to increase the number of building construction workers, including formwork workers.

### **Average Wages for Workers Engaging in Formwork Works Industry in Hong Kong**

Due to the labour shortage, the aging workforce, and the large demand in building construction projects, the average wage for workers engaging in formwork works industry has increased between 2011 and 2016. The following table sets out the average daily wage of workers engaging in formwork works industry in Hong Kong:

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## INDUSTRY OVERVIEW

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<i>(HK\$ per day per worker)</i>	2011	2012	2013	2014	2015	2016
The average daily wages of workers engaging in formwork works industry in Hong Kong	979.0	1,115.1	1,275.1	1,470.3	1,499.2	1,614.9

*Note:*

- (1) Data includes bamboo scaffolder, carpenter (formwork), general welder, plant & equipment operator (load shifting).

*Sources: Census and Statistics Department, Hong Kong; the IPSOS Report*

The average daily wages of workers engaging in formwork works industry in Hong Kong increased from approximately HK\$979.0 in 2011 to approximately HK\$1,614.9 in 2016, at a CAGR of approximately 10.5%.

### Cost of raw materials in the Formworks works industry in Hong Kong

Timber, plywood and aluminium are the major materials commonly used in formwork works in the construction industry in Hong Kong.

### Price trend of plywood, sawn hardwood and aluminium in Hong Kong

The following table sets out the average price trend for major materials used in the formwork works industry in Hong Kong:

Material	2011	2012	2013	2014	2015	2016
Plywood (19 mm thick) (HK\$/m <sup>2</sup> )	70.0	71.0	74.0	75.0	75.0	73.0
Sawn hardwood (25mm thick plank) (HK\$/m <sup>3</sup> )	3,355.0	3,814.0	3,814.0	3,814.0	4,026.0	4,456.0
Aluminium (US\$ per metric ton)	2,024.4	2,086.8	1,739.8	1,909.5	1,497.2	1,604.1

*Source: Census and Statistics Department, Hong Kong, Global Economic Monitor (GEM) Commodities, World Bank, the IPSOS Report*

### Historical Price Trend of Plywood and sawn hardwood in Hong Kong

Timber formwork is often regarded as a traditional type of formwork system. It is however relatively labour intensive and time consuming. Nonetheless, it is still the most popularly accepted system for most of the typical projects with usual size and complexity in the design and structure.

The historical wholesale price of plywood (19mm thick) used in timber formwork in Hong Kong increased from approximately HK\$70.0 per square meter in 2011 to approximately HK\$73.0 per square meter in 2016, at a CAGR of 0.8%. Timber formwork is

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## INDUSTRY OVERVIEW

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the most popularly accepted system for most of the typical building construction projects with usual size and complexity in the design and structure, the demand for building construction works therefore drives the demand for timber formwork.

The average wholesale price of sawn hardwood (25mm thick plank) in Hong Kong increased from about HK\$3,355.0 per cubic meter in 2011, remained stable between 2012 and 2014 at about HK\$3,814.0 per cubic meter, and rose to about HK\$4,456.0 per cubic meter in 2016, at a CAGR of about 5.8% from 2011 to 2016. The growth in the average wholesale price of sawn hardwood can be attributed to the large demand for building construction and redevelopment work over the past few years and the wide usage of timber formwork in Hong Kong's building construction projects.

### **Historical Price Trend of Aluminium in Hong Kong**

Aluminum formwork is the use of aluminum sheet and channel sections as its main components. As it can be recycled (after smelting) this type of formwork is environmentally friendly. Also, the material is light (but strong), rendering the installation easier. In the medium to long term, the method is cost-effective as aluminium formwork can be reused hundreds of times.

The historical price of aluminium in Hong Kong decreased from about US\$2,024.4 per metric ton in 2011 to about US\$1,604.1 per metric ton in 2016, at a CAGR of about -4.5%. This can be attributed to the rising global aluminium inventories and a surplus of producers as well as the strength of the US dollar. In addition, rise in aluminium exports out of China also could be one of the reasons driving down the price.

### **COMPETITIVE LANDSCAPE**

The formwork works industry in Hong Kong is relatively fragmented. As of March 2017, according to Construction Industry Council, there are 784 subcontractors on the list of registered subcontractors under formworks category.

### **Market Drivers of the Formwork Works Industry in Hong Kong**

*Government's initiative to increase the housing supply as well as the land supply for residential and commercial uses.*

With the increasing demand for housing units, the Government has taken initiatives to increase the housing supply since recent years. For example, according to the 2015 Policy Address, the Government planned to continual redevelop the rural lands such as Hung Shui Kiu, Yuen Long South and New Territories North. In addition, it is estimated that a total of 77,100 units of public residential housing would be completed within the next five years, 23,300 units of which are scheduled for completion in 2015-16. Furthermore, according to the 2016-2017 Budget, the Government has continuously strive to increase the land for residential use. For public housing, the Government has adopted the public housing supply target of 280,000 units for the ten-year period from 2016-17 to 2025-26. For private housing, it is estimated that private housing land supply in 2015-16 has a capacity to

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produce over 29,000 units, including 19,000 units generated from the 2016-17 Land Sale Programme and other units generated from railway property development projects, the Urban Renewal Authority's projects and private redevelopment and development projects.

According to the 2016 Policy Address, the Government will continue to increase the land used for commercial and economic activity through measure such as converting suitable Government, Institution or Community sites in core business districts into commercial use and the development of Kowloon East as an alternative core business district. In addition, according to 2017 Policy Address, the Housing Authority and the Hong Kong Housing Society will build about 94,500 public housing units, of which about 71,800 will be public rental housing units and about 22,600 will be subsidised sale flats over the next 5 years. Furthermore, according to 2016-17 Budget, the Government has also taken initiatives to convert the government land use into commercial use, for example, reprovisioning government facilities in the two action areas in Kwun Tong and Kowloon Bay, which is expected to provide 560,000 square meters of commercial and office floor area; converting the Murray Road multi-storey car park to commercial use, which is estimated to provide 42,000 square meters of floor area; and redevelop the Queensway Plaza site, which is capable of providing 93,000 square meters of floor area. The Government's initiatives to increase the residential building as well as commercial buildings will fuel the building construction industry therefore drive the formwork works industry in Hong Kong.

### **Entry Barriers to the Formwork Works Industry in Hong Kong**

*Reputation and proven practical industry experience are major entry barriers to the formwork works industry in Hong Kong.*

The lack of practical industry experience is one of entry barriers of formwork works industry in Hong Kong. In general, main contractors will outsource the formwork works part to subcontractors based on their track records and experiences to assess their abilities to meet technical, safety, time, and budget requirements of the project. As a result, new entrants with little formwork works track would not have enough proven experiences to support a higher rating for a customer's consideration during tender.

Being recognized and having a good reputation can be advantages of being one of the formwork works contractors in Hong Kong. A formwork works contractor with good reputation usually have more experience and a established connection with main contractors, which will help increase its possibilities of winning a contract. From other perspective, this can also be a barrier for new entrants to enter the formwork works industry since they are new to the market and have limited reputation among the industry.

### **Future opportunities of the Formwork Works Industry in Hong Kong**

*Increasing demand for residential and commercial buildings*

The population in Hong Kong is expected to keep increasing and reach around 8.6 million in 2036. Therefore, it is expected that the demand for residential properties will continue to grow in the near future. According to Rating and Valuation Department, for private sector, the number of private residential housing units completed in HK reached at

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11,280 in 2015 and 14,595 in 2016. According to 2017 Policy Address, on private housing, the projected supply of first-hand residential properties for the coming 3 to 4 years was 94,000 units at December 2016, which is a record high since the regular release of supply statistics 12 years ago. On public sector, the Housing Authority and HK Housing Society will build about 94,500 public housing units, of which about 71,800 will be public rental housing units and about 22,660 will be subsidised sale at the next 5 years. In response to the increasing demand for residential properties, more renovation and construction project of residential buildings are expected. The increasing demand for residential properties and hence for building construction works are expected, providing growth opportunities to the formwork works industry in Hong Kong.

The number of non-local companies has also increased from about 737 in 2010 to about 874 in 2016, representing a CAGR of about 2.9%. The growing number of registered enterprises in Hong Kong has led to an increase in rental prices due to the limited office space in Hong Kong. The private office rental index (1999=100) grew from approximately 147.6 in 2010 to around 232.3 in 2016, at a CAGR of about 9.5%, which indicates the growing demand for private offices and operating spaces. The burgeoning number of newly registered companies and a consequential increase in rental prices therefore contributed to the growth in the newly built, redevelopment or renovation projects of office buildings in Hong Kong, therefore support the growth of formwork works industry in Hong Kong.

### **Threats to the Formwork Works Industry in Hong Kong**

*The problem of labour shortage and aging workers threaten the development of construction industry as well as formwork works industry in Hong Kong.*

Labour cost is one of the major costs of formwork works industry in Hong Kong. The Hong Kong's construction industry has been facing with the issue of labour shortage and aging workforce. According to the Construction Industry Council, there were about 41.5% of the 388,628 registered workers who have been in the construction industry for more than 10 years aged over 50 in August 2016. According to Hong Kong Construction Association's survey on the labour shortage of construction industry in Hong Kong, data collected from 139 sites on 14 April 2016 shown that the shortage rate reached at approximately 9.65% with 2,930 workers were needed among the total 30,353 on-site workers. Moreover, among these 2,930 vacant workers, Carpenter (Formwork-Building Construction) as well as Bar Bender and Fixer were two of the most lacking workers in designated trades. With the lack of sufficient workers, especially those who are experienced and skilled, the probability of project delay in construction industry as well as formwork works industry will increase. Furthermore, in order to retain the experienced formwork workers, contractors have started to pay higher wage, which has led to the increasing labour costs of formwork works industry.

### *Fluctuation in Hong Kong's property market*

Due to the overheated property price and a softening mainland economy, which affect the affordability of property and the buying desire of consumers, a fluctuation has shown in Hong Kong's property market in 2016. According to the Land Registry, the total number of sale and purchase agreements for building units in January 2016 decreased by around 41.0%

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as compared with December 2015 and decreased by around 62.4% as compared with January 2015. However, the number has experienced a rising trend in the first half of 2016, except a slight drop in June. The number of agreements for sale and purchase of building units increased from 3,123 in January to 6,033 in June of 2016. In addition, according to Rating and Valuation Department, the price index of private residential building by all classes has been in decline since July 2015, at 304.1, falling to 285.2 in December 2015. The price index, nonetheless, remained stable since January 2016 and hovered around 274.6 level. However, the property market in Hong Kong seems to climb up in Q1 2017, with according to the Land Registry, the total number of sale and purchase agreements for building units started to climb up in Q1 2017, from 5,220 in Jan to 7,605 in Mar 2017, increased by around 45.7%. Meanwhile, according to Rating and Valuation Department, the price index of private domestic (all classes) increased from 309.8 in Jan 2017 to 312.8 in Feb 2017. The robust purchases can be attributed to the round of sales launched by developers. For example, Sun Hung Kai Properties released 68 units of its Eight Regency apartment complex at Tuen Mun for sale, with sized from 310 to 497 sq. ft. at an average price of HK\$12,748 per sq. ft. after a 20% discount. The fluctuation in Hong Kong's property market may not impact the building construction works and formwork works industry in Hong Kong as the Government's supporting policy on increasing private housing supply as well as land for private housing use.

### *Major players in the formwork works industry in Hong Kong in 2015*

The major players of the formwork works industry in Hong Kong are (i) Leung Pui, our major operating subsidiary, (ii) Ming Tai Construction Engineering Co. Ltd, a private company incorporated in Hong Kong, (iii) Koo Kam Kee Engineering Company Ltd, a private company incorporated in Hong Kong, (iv) Chi Kan Engineering Company Ltd., a private company incorporated in Hong Kong, and (v) Cheung Ying Construction Engineering Ltd., a private company incorporated in Hong Kong.

The Company recorded about HK\$466.5 million of revenue from the formwork works in for the year ended 2015, which accounted for about 9.3% of the total industry revenue of HK\$4,994.2 million in Hong Kong in the calendar year of 2015. While this market share is high considering the fragmentation of the industry, and places the Company among the major players, the revenue information for the other major contractors engaging in formwork works industry is not available due to (a) formwork works contractors are private companies that the companies' financial information is not publicly accessible and (b) the formwork works industry is fragmented with 784 companies as of March 2017.

### **RELIABILITY OF INFORMATION IN THE IPSOS REPORT**

Our Directors confirmed that, as at the Latest Practicable Date, to the best of their knowledge, after taking reasonable care, there is no adverse change in the market information since the date of the IPSOS Report or the date of the relevant data contained in the IPSOS Report which may qualify, contradict or have an impact on the information in this section.

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## LAWS AND REGULATIONS

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### OVERVIEW

We are an established subcontractor in Hong Kong principally provide formwork works. This section sets forth a summary of the laws and regulations applicable to our business in Hong Kong.

### LABOUR, HEALTH AND SAFETY

#### Factories and Industrial Undertakings Ordinance

The 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 of workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- providing such information, instruction, training and supervision as is necessary to ensure the health and safety at work of all persons employed by him at the industrial undertaking;
- 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 work environment for all persons employed by him at the industrial undertaking that is safe and without risks to health.

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes these requirements willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) the duty to comply with miscellaneous safety requirements; and (vi) provision of first aid facilities.



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Non-compliance with any of these rules constitutes an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and to imprisonment up to 12 months.

### **Occupational Safety and Health Ordinance**

The 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 both industrial and non-industrial workplaces.

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

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plants or substances;
- providing such information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;
- maintaining the workplace in a condition that is safe and without risks to health;
- providing and maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- providing and maintaining a working environment for the employees that is safe and without risks to health.

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

The Commissioner for Labour may also issue (i) an improvement notice against any non-compliance with the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance; or (ii) a suspension notice against an employer if in general an activity is undertaken at the workplace which may create an imminent hazard 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.

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### **Occupiers Liability Ordinance**

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (the “**Occupiers Liability Ordinance**”) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

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

### **Immigration Ordinance**

According to section 38A of the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) (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 (i) prevent having illegal immigrants from being on site; or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

### **Construction Workers Registration Ordinance**

The Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) (the “**Construction Workers Registration Ordinance**”) implements a registration system which requires construction workers to be registered before carrying out construction work on a construction site. There are certain prohibition provisions which specify that designated trades may be carried out only by registered skilled workers for that particular trade.

According to section 3 of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$10,000.

According to section 5 of the Construction Workers Registration Ordinance, any person who employs another person who is not a registered construction worker to personally carry out on a construction site construction work commits an offence and is liable on conviction to a fine of HK\$50,000.

Following amendment of the Construction Workers Registration Ordinance in 2014, the requirements of “designated workers for designated trades” have been implemented under the construction workers registration scheme in April 2017. Skilled construction workers are required to register according to their respective skills.

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

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

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

The new legislation will:

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

It is probable that some of our contracts will be caught by the new SOPL legislation and where such contracts are subject to SOPL we will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process.

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

### Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “**Employment Ordinance**”) provides for the protection of the wages of employees and the regulation of the general conditions of employment and employment agencies. Under the Employment Ordinance, an employee is generally entitled to, amongst other things, notice of termination of his employment contract; payment in lieu of notice; maternity protection in the case of a pregnant employee; not less than one rest day in every period of seven days;

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severance payments or long service payments; sickness allowance; statutory holidays or alternative holidays; and paid annual leave of up to 14 days depending on the period of employment.

According to section 43C of the Employment Ordinance, if any wages become due to the employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. However, such payment of wages is recoverable from the subcontractor pursuant to section 43F of the Employment Ordinance.

### **Employees' Compensation Ordinance**

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**Employees' Compensation Ordinance**") establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee 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 generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

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

According to section 40 of the Employees' Compensation Ordinance, all employers (including principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under section 40(1B) of the Employees' Compensation Ordinance, 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 his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor under the policy shall be regarded as having complied with section 40(1) of the Employees' Compensation Ordinance.

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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 of HK\$100,000 and to imprisonment for 2 years.

### **Minimum Wage Ordinance**

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the "**Minimum Wage Ordinance**") provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

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

### **Mandatory Provident Fund Schemes Ordinance**

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "**Mandatory Provident Fund Schemes Ordinance**") provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement.

Under the Mandatory Provident Fund Schemes Ordinance, the employer and its relevant employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees' relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration of his employment under his employment contract.

Industry schemes ("**Industry Schemes**") were established under the MPF system for employers in the construction and catering industries in view of the high labour mobility in these two industries, and the fact that most employees in these industries are "casual employees" whose employment is on a day-to-day basis or for a fixed period of less than 60 days.

For the purpose of the Industry Schemes, the construction industry covers the following 8 major categories: (i) foundation and associated works; (ii) civil engineering and associated works; (iii) demolition and structural alteration works; (iv) refurbishment and maintenance works; (v) general building construction works; (vi) fire services, mechanical, electrical and associated works; (vii) gas, plumbing, drainage and associated works; and (viii) interior fitting-out works.

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

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### ENVIRONMENTAL PROTECTION

#### **Air Pollution Control Ordinance**

The 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, including without limitation to the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). For instance, the contractor responsible for a construction site shall devise and arrange methods of working and carry 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.

#### **Noise Control Ordinance**

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) (the “**Noise Control Ordinance**”) regulates, among others, the noise from construction activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

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

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

#### **Water Pollution Control Ordinance**

The 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, manufacturing, commercial, institutional and construction activities into public

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sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of Environmental Protection.

All discharges, other than domestic sewage to a communal sewer or unpolluted water to a communal 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 commits an offence who discharges any waste or polluting matter into the waters or discharges any matter other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone and is liable to imprisonment for 6 months and (i) for a first offence, a fine of HK\$200,000; (ii) for a second or subsequent offence, 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.

### **Waste Disposal Ordinance**

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the “**Waste Disposal Ordinance**”) controls the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste, clinical waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste into and from Hong Kong is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong).

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 obtained the written permission from the land owner and the acknowledgement from the Environmental Protection Department. A person who except under and in accordance with a permit, does anything for which such a permit is required commits an offence and is liable to a fine of HK\$200,000 and imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and imprisonment for 2 years for a second or subsequent offence.

### **Environmental Impact Assessment Ordinance**

The Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) (the “**Environmental Impact Assessment Ordinance**”) is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 to the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of

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the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless exempted otherwise.

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 to the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 to the Environmental Impact Assessment Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (i) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment to 2 years; (iii) on a first summary conviction to a fine of HK\$100,000 and to imprisonment for 6 months; (iv) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for 1 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 the offence continued.

### **Public Health and Municipal Services Ordinance**

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 (Chapter 132 of the Laws of Hong Kong) (the “**Public Health and Municipal Services Ordinance**”). Maximum penalty is HK\$10,000 upon conviction with a daily fine of HK\$200.

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

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

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

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



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### LICENSING/REGISTRATION REGIME

#### **Construction Industry Council – Registered Subcontractor**

The Construction Industry Council has introduced a subcontractors registration scheme (“SRS”) for trade subcontractors taking part in building and engineering works so as to build up a pool of capable and responsible subcontractors with specialised skills and professional ethics. The registration scheme has been implemented in phases, at first of which comprises a primary register (being a list of companies registered in accordance with Rules and Procedures for the Primary Register of the Subcontracting Registration Scheme) (the “Primary Register”) with relatively simple and accommodating entry requirements.

The registration scheme is overseen by a management committee made up of representatives from major industry stakeholders formed under the auspices of the Construction Industry Council. The management committee assumes responsibility for enforcing the registration rules and procedures, screening and approving applications for registration, as well as instigating regulatory actions under a set of rules and procedures.

Pursuant to the registration scheme, certain industry organisations, such as the Airport Authority, Development Bureau, Hong Kong Housing Authority and MTR Corporation Limited, have either introduced contractual provisions requiring its main contractors to include appropriate terms in their subcontracts to require subcontractors to apply for registration under the registration scheme on a mandatory basis or mandated the employment of registered subcontractors in all new buildings, maintenance and improvement contracts. As such, where a contractor is to sub-contract part of the public works involving 52 trades and specialties covering common structural, civil, finishing, electrical and mechanical works and supporting services available under the Primary Register, he shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register. Should the subcontractors further subcontract (irrespective of the tier) any part of the public works subcontracted to them involving trades available under the Primary Register, the contractor shall ensure that all subcontractors (irrespective of the tier) are registered under the relevant trades in the Primary Register.

Applications for registration under the Primary Register are subject to the following entry requirements:–

- (a) Completion of at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years; or
- (b) Listings on one or more government registration schemes operated by policy bureaux or departments of the Government relevant to the trades and specialties for which registration is sought; or

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## LAWS AND REGULATIONS

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- (c) The applicant or its proprietor, partners or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Trainings Series for Sub-contractors (or equivalent) conducted by the Construction Industry Council; or
- (d) The applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

Subcontractors may apply for registration in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services.

Set out below is our Group's registration with the Primary Register of the Construction Industry Council:

Name of Group member	Trade(s)	Specialty(ies)	Date of Registration	Expiry Date of Current Registration
Leung Pui	Concreting Formwork	Timber formwork	23 November 2014	22 November 2018 <i>(Note)</i>
	Scaffolding	Metal scaffolding	23 November 2014	22 November 2018 <i>(Note)</i>
	Concreting Formwork	Metal/system formwork	1 March 2017	22 November 2018 <i>(Note)</i>

*Note: A registered subcontractor shall apply for renewal within three months before the expiry date of its registration providing information and supporting documents to show compliance with the entry requirements provided that supporting documents are not required if the subcontractor has been registered by satisfying the requirements set out in paragraphs (a), (c) or (d) above and the experience submitted in the previous application for satisfying the entry requirements is obtained within five years of the expiry of the current registration; or the first time registration through complying the requirement (c) or (d) being within five years of the expiry of the current registration.*

*An application for renewal shall be subject to approval by the management committee. If some of the entry requirements covered in an application can no longer be satisfied, the management committee may give approval for renewal based on those trades and specialties where the requirements are met.*

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## LAWS AND REGULATIONS

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### **OTHERS**

#### **Compliance with the relevant requirements**

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the registration and certifications required for our business and operations in Hong Kong, and all of them are in force as at the Latest Practicable Date.

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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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### OVERVIEW

Our history can be traced back to 1994 when Mastery was co-founded by Mr. Leung and Mr. Chow with their personal wealth. Each of Mr. Leung and Mr. Chow had respectively accumulated more than 15 years of experience in the construction industry prior to setting up Mastery.

At the time of incorporation, Mastery was engaged in the provision of formwork works. In 2001, our Group expanded its business to tap into building construction works with the incorporation of Ho Yip.

As at the Latest Practicable Date, Leung Pui was registered with the Construction Industry Council as a registered subcontractor (with trade specialties of timber formwork, metal scaffolding and metal/system formwork).

Set forth below is a chronological review of the key business milestones of our Group:-

<b>Year</b>	<b>Event</b>
1994	Mastery was incorporated in Hong Kong and commenced its business of provision of formwork works
2001	Ho Yip was incorporated in Hong Kong and commenced its business of building construction works
	Leung Pui was incorporated in Hong Kong and commenced its business of provision of formwork works
	Leung Pui received a Certificate of Appreciation from Hong Kong Housing Society for its contribution in form mould quality field practices
	Leung Pui was awarded as the Best Safety Performance Subcontractor in the first quarter of 2001 by Gamfield Construction Co. Ltd. in phase II of Ocean Shores in Tseung Kwan O
2004	Mastery (under the trade name of Leung Pui Form Mould & Engineering Company) was registered with the Construction Industry Council as a registered subcontractor (with trade specialties of timber formwork and metal scaffolding) and such registration ceased in 2008
	Leung Pui commenced business relationship with a wholly-owned subsidiary of a public company listed on the Main Board for formwork projects for public housing construction

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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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<b>Year</b>	<b>Event</b>
2005	Leung Pui commenced business relationship with a wholly-owned subsidiary of another public company listed on the Main Board for formwork projects for schools construction
2009	Kin Wo was incorporated in Hong Kong and commenced its business of provision of formwork works
2010	Leung Pui was registered with the Construction Industry Council as a registered subcontractor (with trade specialties of timber formwork and metal scaffolding) ( <i>Note 1</i> )
2011	Leung Pui was awarded as the Good Performance Contractor (Formwork) of E Man Construction Company Limited in No. 70-72 Staunton Street
2013	Five Dragons was incorporated in Hong Kong and commenced its business of provision of formwork works
2015	<p>Leung Pui was accredited OHSAS 18001:2007 in relation to occupational health and safety management system, applicable to design, supply, erection, maintaining and striking of timber and metal formwork/falsework to building and construction works in Hong Kong (<i>Note 2</i>)</p> <p>Leung Pui was accredited ISO 9001:2008 in relation to quality management system standard, applicable to design, supply, erection, maintaining and striking of timber and metal formwork/falsework to building and construction works in Hong Kong (<i>Note 2</i>)</p> <p>Leung Pui was accredited ISO 14001:2004 in relation to environmental management system standard, applicable to design, supply, erection, maintaining and striking of timber and metal formwork/falsework to building and construction works in Hong Kong (<i>Note 2</i>)</p> <p>Leung Pui was awarded as the Construction Site Best Subcontractor by Yee Fai Construction Company Limited at lot 66D2 in Tseung Kwan O</p>
2016	Leung Pui was awarded as the Best Safety Performance Subcontractor by Yee Fai Construction Company Limited at lot 509 in Tuen Mun
2017	Leung Pui was registered with the Construction Industry Council as a registered subcontractor (with trade specialty of metal/system formwork)

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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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*Note 1:* The registration of Leung Pui as a registered subcontractor with the Construction Industry Council was renewed upon each expiry since 2010 and the current one is valid till 22 November 2018.

*Note 2:* Since 2016, the certifications of OHSAS 18001:2007, ISO 9001:2008 and ISO 14001:2004 were migrated to our Company through surveillance audit by our external safety consultant.

### CORPORATE HISTORY

Our Group consists of our Company and six subsidiaries. Set out below is the corporate history of each of our Company and our major subsidiaries.

#### **Our Company**

On 6 April 2016, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's Share was transferred to Five Continental for cash at par and the share transfer was legally completed on the same date. Also, an aggregate of 9,999 Shares were allotted and issued at par to Five Continental. Such allotments and issuances were completed on 6 April 2016. Following completion of the Reorganisation, our Company became the holding company of our subsidiaries and all the issued Shares were held by Five Continental. For details of the Reorganisation, please refer to the paragraph headed "Reorganisation" below in this section.

#### **Hin Lone**

Hin Lone was incorporated in the BVI on 22 April 2016 as a limited liability company authorised to issue a maximum of 50,000 shares of US\$1 each, of which one share was allotted and issued as fully paid to our Company at par on the same date.

As at the Latest Practicable Date, Hin Lone was an intermediate holding company of our Group and held the entire issued share capital of Five Dragons, Mastery, Leung Pui, Ho Yip and Kin Wo.

#### **Five Dragons**

On 2 January 2013, Five Dragons was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each, of which one share was issued to an independent initial subscriber.

On 18 March 2013, the independent initial subscriber transferred one share of Five Dragons to Mr. Leung at par and such transfer was legally completed on the same date.

On 27 May 2016, Mr. Leung entered into a share transfer agreement relating to the entire issued share capital of Five Dragons with Hin Lone, pursuant to which Mr. Leung transferred one share of Five Dragons which represented the entire issued share capital of Five Dragons to Hin Lone at the consideration of HK\$1 and such transfer was legally completed on the same date. As a result, Five Dragons became a wholly owned subsidiary of Hin Lone.

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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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As at the Latest Practicable Date, Five Dragons was mainly engaged in provision of formwork works with timber formwork and metal formwork.

### **Mastery**

On 17 March 1994, Mastery was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each, of which two shares were issued to two independent initial subscribers.

On 29 April 1994, each of the independent initial subscribers transferred one share of Mastery to each of Mr. Leung and Mr. Chow at par and such transfers were legally completed on the same date.

On 5 August 1994, the authorised share capital of Mastery was increased from HK\$10,000 divided into 10,000 shares of HK\$1 each to HK\$500,000 divided into 500,000 shares of HK\$1 each. The number of issued shares of Mastery was also increased on the same date from two shares to 100,000 shares by way of share allotments. On the same date, 39,999 shares, 29,999 shares and 30,000 shares were allotted to Mr. Leung, Mr. Chow and an Independent Third Party respectively. Upon completion of the allotments, Mastery was owned as to 40% by Mr. Leung, 30% by Mr. Chow and 30% by the Independent Third Party.

On 19 November 2008, the Independent Third Party transferred her 17,000 shares and 13,000 shares of Mastery to Mr. Leung and Mr. Chow respectively at par and such transfers were completed on the same date. Upon completion of the transfers, Mastery was owned as to 57% by Mr. Leung and 43% by Mr. Chow.

On 20 October 2009, Mr. Leung transferred his 57,000 shares of Mastery to Ms. Pat Lai Wa and such transfer was completed on the same date. Upon completion of the said transfer, Mastery was legally owned as to 57% by Ms. Pat Lai Wa and 43% by Mr. Chow. Pursuant to a declaration of trust executed by Ms. Pat Lai Wa on the same date, Ms. Pat Lai Wa confirmed that she held 57,000 shares on trust for and on behalf of Mr. Leung. As a result, Mastery was beneficially owned as to 57% by Mr. Leung and 43% by Mr. Chow.

On 23 April 2012, Ms. Pat Lai Wa transferred her legal interest in the 57,000 shares of Mastery back to Mr. Leung and upon completion of such transfer which took place on the same day, Mastery was owned as to 57% by Mr. Leung and 43% by Mr. Chow legally and beneficially.

On 22 August 2012, Mr. Chow transferred his 43,000 shares of Mastery to Mr. Leung at par and such transfer was completed on the same date. Upon completion of the transfer, Mastery was owned as to 100% by Mr. Leung.

On 27 May 2016, Mr. Leung entered into a share transfer agreement relating to the entire issued share capital of Mastery with Hin Lone, pursuant to which Mr. Leung transferred 100,000 shares of Mastery which represented the entire issued share capital of Mastery to Hin Lone at the consideration of HK\$1 and such transfer was legally completed on the same date. As a result, Mastery became a wholly owned subsidiary of Hin Lone.

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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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As at the Latest Practicable Date, Mastery was mainly engaged in provision of formwork works with timber formwork.

### **Leung Pui**

On 23 November 2001, Leung Pui was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$20,000 divided into 20,000 ordinary shares of HK\$1 each, of which 12,000 shares and 8,000 shares were issued to Mr. Leung and Mr. Chow respectively.

On 12 June 2009, Mr. Leung transferred his 12,000 shares to Mrs. Leung, which were held by three trustees in equal share for and on behalf of Mrs. Leung. On 22 November 2011, the three said trustees transferred the legal interest of 12,000 shares to Mr. Leung at nil consideration and Mr. Leung held such interest on trust for Mrs. Leung. In other words, the beneficial interest of Leung Pui was owned as to 60% by Mrs. Leung and 40% by Mr. Chow since 12 June 2009.

On 22 November 2013, Mr. Chow transferred his 8,000 shares of Leung Pui to Mr. Leung at par. Upon completion of the transfer which was completed on the same date, the beneficial interest of Leung Pui was owned as to 60% by Mrs. Leung and 40% by Mr. Leung.

On 22 November 2013, Mr. Leung (as trustee) and Mr. Chow (as beneficiary) executed a declaration of trust whereby Mr. Leung declared that he held the legal interest of 3,000 shares (out of the 8,000 shares transferred to him from Mr. Chow) on trust for and on behalf of Mr. Chow. The consideration for the transfer of the beneficial interest of 3,000 shares from Mr. Leung to Mr. Chow was HK\$3,000 which was determined with reference to the total nominal value of the shares. As such, the shareholding interest of Leung Pui was beneficially owned as to 60% by Mrs. Leung, 25% by Mr. Leung and 15% by Mr. Chow.

On 27 May 2016, Mr. Leung, Mrs. Leung and Mr. Chow entered into a share transfer agreement relating to the entire issued share capital of Leung Pui with Hin Lone, pursuant to which Mr. Leung transferred 20,000 shares of Leung Pui which represented the entire issued share capital of Leung Pui to Hin Lone at the consideration of HK\$1 with Mrs. Leung and Mr. Chow acting as confirmors and such transfer was legally completed on the same date. As a result, Leung Pui became a wholly owned subsidiary of Hin Lone.

As at the Latest Practicable Date, Leung Pui was mainly engaged in provision of formwork works with timber formwork and metal formwork.

### **Ho Yip**

On 14 November 2001, Ho Yip was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$20,000 divided into 20,000 ordinary shares of HK\$1 each, of which 12,000 shares and 8,000 shares were issued to Mr. Leung and Mr. Chow respectively.



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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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On 24 July 2009, Mr. Leung transferred his 12,000 shares of Ho Yip to Mr. Leung Cheung Kuen and Ms. Wong Siu Fong at the consideration of HK\$525,000 after arm's length negotiations, and the transferees acted as trustees for Mrs. Leung pursuant to a declaration of trust of even date at the consideration of HK\$525,000 after arm's length negotiations. On 9 May 2012, Mr. Leung Cheung Kuen and Ms. Wong Siu Fong transferred such 12,000 shares to Mrs. Leung. The transfers were completed on the same date at nil consideration as such shares were beneficially owned by Mrs. Leung. On 9 May 2012, Mrs. Leung executed a declaration of trust declaring that she held the legal interest of 12,000 shares for and on behalf of Mr. Leung whereby the beneficial interest of 12,000 shares was owned by Mr. Leung. At the material time, Mr. Chow remained to be the legal and beneficial owner of 8,000 shares in Ho Yip.

On 27 January 2014, Mr. Chow transferred his legal interest in 8,000 shares of Ho Yip to Mr. Leung but Mr. Chow retained the beneficial interest of 4,000 shares (which represented 20% of the issued share capital of Ho Yip). The legal and beneficial interest in the 4,000 shares of Ho Yip was transferred by Mr. Chow at the nominal consideration of HK\$1. As a result of the transfer which was completed on the same date, Mrs. Leung and Mr. Leung were the legal owner as to 60% and 40% of the shareholding interest of Ho Yip whereby the beneficial interest of Ho Yip was owned as to 80% by Mr. Leung and 20% by Mr. Chow.

On 27 May 2016, Mr. Leung, Mrs. Leung and Mr. Chow entered into a share transfer agreement relating to the entire issued share capital of Ho Yip with Hin Lone, pursuant to which Mr. Leung and Mrs. Leung transferred 8,000 shares and 12,000 shares of Ho Yip respectively to Hin Lone, which represented the entire issued share capital of Ho Yip, at an aggregate consideration of HK\$1 with Mr. Chow acting as confirmor and such transfers were legally completed on the same date. As a result, Ho Yip became a wholly owned subsidiary of Hin Lone.

As at the Latest Practicable Date, Ho Yip was mainly engaged in building construction works.

### **Kin Wo**

On 27 May 2009, Kin Wo was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each, of which one share was issued to an independent initial subscriber.

On 10 June 2009, the independent initial subscriber transferred one share of Kin Wo to Mrs. Leung at par and such transfer was legally completed on the same date.

On 27 May 2016, Mrs. Leung entered into a share transfer agreement relating to the entire issued share capital of Kin Wo with Hin Lone, pursuant to which Mrs. Leung transferred one share of Kin Wo which represented the entire issued share capital of Kin Wo to Hin Lone at the consideration of HK\$1 and such transfer was legally completed on the same date. As a result, Kin Wo became a wholly owned subsidiary of Hin Lone.

As at the Latest Practicable Date, Kin Wo was mainly engaged in provision of formwork works with timber formwork.

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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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### PARTIES ACTING IN CONCERT

During the Track Record Period, Leung Pui and Ho Yip had been the major operating subsidiaries of our Group. As Mr. Chow would like to devote his time to focus on his other personal pursuits, certain shareholding interests of Leung Pui and Ho Yip were transferred from Mr. Chow to Mr. Leung prior to the Reorganisation during the Track Record Period, namely: Mr. Chow transferred all his legal interests in Leung Pui and Ho Yip to Mr. Leung while retaining 15% and 20% beneficial interests in Leung Pui and Ho Yip respectively. Alongside with the change in shareholding interest, Mr. Chow also resigned as a director in the two aforesaid companies.

These acts signified Mr. Chow's path to reduce his daily participation in the management of two major operating subsidiaries of our Group and the management power was centralised with Mr. Leung. Despite Mr. Chow ceased to be a director, he remained to be a beneficial substantial shareholder of these companies, which means he can exert his influence at the shareholder's level.

As to Mrs. Leung, notwithstanding she had no directorship in Leung Pui, she has been involved in assisting Mr. Leung in the management of Leung Pui since its incorporation. Leung Pui has been the most dominant subsidiary of our Group and to reflect Mrs. Leung's involvement in the management of our Group, she was appointed as a Director of the Company. Since Reorganization, Mrs. Leung does not hold any legal interest in the Company on her own but she is deemed to be interested in the interest of the Shares held by Mrs. Leung under the SFO.

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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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Among the Controlling Shareholders, Mr. Leung is the only person both sitting at the Board and a legal shareholder of the Company. Mrs. Leung is a board member and has deemed interest in Mr. Leung's interest in the Shares but she does not have the identity to cast votes at general meetings of the Company. With Mr. Chow's interest in Five Continental, he can exert his influence at the shareholder's level but not at Board level as he does not have a Board seat. To unite and ensure consistency of decision at both shareholders level and Board level, Mr. Leung, Mrs. Leung and Mr. Chow entered into the Concert Parties Confirmatory Deed on 5 August 2016 to acknowledge and confirm that should they remain as the management and/or hold shareholding interests of the Relevant Companies:

- (a) among each of them that they are parties acting in concert in respect of (i) Leung Pui and Ho Yip since the incorporation of Leung Pui and Ho Yip and (ii) each of the members of our Group (the "**Relevant Companies**") upon Listing and will continue so as of and after the date of the Concert Parties Confirmatory Deed in the discussion of major management issues and in the making and/ or execution of all commercial decisions, including but not limited to the finance and operation of the Relevant Companies;
- (b) they shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Relevant Companies;
- (c) they shall continue to cast unanimous vote collectively for or against all resolutions in all meetings and discussions of the Relevant Companies; and
- (d) they shall continue to cooperate with each other to obtain and maintain the consolidated control and the management of the Relevant Companies.

For the proper implementation of the Concert Parties Confirmatory Deed, Mr. Leung, Mrs. Leung and Mr. Chow have agreed to, and shall continue to, consult each other and reach an unanimous consensus among themselves on matters which are the subject of any board of directors' resolutions and shareholders' resolutions of the Relevant Companies prior to putting forward any such resolution to be passed at any board of directors or shareholders' meetings of the Relevant Companies (as the case may be) and had historically voted on such resolutions in the same way since the incorporation of Leung Pui and Ho Yip.

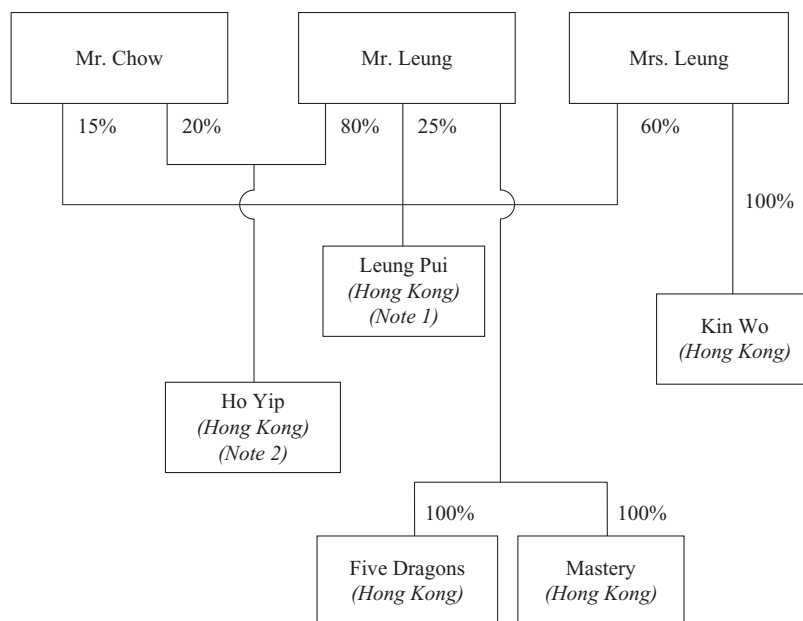
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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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### REORGANISATION

The following chart shows the shareholding structure of our Group immediately prior to the Reorganisation and the Share Offer:-



Notes:

1. By a Declaration of Trust dated 22 November 2011, 60% of the beneficial interest of Leung Pui is held on trust by Mr. Leung for and on behalf of Mrs. Leung. As such, the beneficial interest of Leung Pui is owned as to 60% by Mrs. Leung and 40% by Mr. Chow. By a share transfer on 22 November 2013, Mr. Chow transferred 8,000 shares of Leung Pui to Mr. Leung. As such, Leung Pui was legally owned as to 100% by Mr. Leung, of which 40% was beneficially owned by Mr. Leung and 60% was beneficially owned by Mrs. Leung. By a Declaration of Trust on 22 November 2013, 15% of the beneficial interest of Leung Pui is held on trust by Mr. Leung for an on behalf of Mr. Chow. As such, the beneficial interest of Leung Pui is owned as to 60% by Mrs. Leung, 25% by Mr. Leung and 15% by Mr. Chow.
2. By a Declaration of Trust dated 9 May 2012, Mrs. Leung holds her interest in Ho Yip on trust for and on behalf of Mr. Leung. Also, by a Declaration of Trust dated 27 January 2014, 20% of the beneficial interest of Ho Yip is held on trust by Mr. Leung for and on behalf of Mr. Chow.

As such, the beneficial interest of Ho Yip is owned as to 80% by Mr. Leung and 20% by Mr. Chow.

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

- (1) On 29 March 2016, Five Continental was incorporated in the BVI with limited liability. Five Continental was authorised to issue a maximum of 50,000 shares of US\$1 each, of which 850 shares were allotted and issued as fully paid to Mr. Leung at par and 150 shares were allotted and issued as fully paid to Mr. Chow at par. Five Continental was set up as a vehicle of Mr. Leung and Mr. Chow to hold their interests in our Company.

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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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- (2) On 6 April 2016, our Company was incorporated in the Cayman Islands with limited liability with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as fully paid to an independent initial subscriber at par. On 6 April 2016, such subscriber Share was transferred to Five Continental for cash at par and the share transfer was legally completed on the same date. Also, an aggregate of 9,999 Shares were allotted and issued at par to Five Continental. Such allotments and issuances were completed on 6 April 2016.
- (3) On 22 April 2016, Hin Lone was incorporated in the BVI with limited liability by our Company. For details of the relevant corporate information, please refer to the paragraph headed “Corporate History – Hin Lone” of this section.
- (4) On 27 May 2016, Mr. Leung entered into a share transfer agreement relating to the entire issued share capital of Five Dragons with Hin Lone, pursuant to which Mr. Leung transferred one share of Five Dragons (which represented the entire issued share capital of Five Dragons) to Hin Lone at the consideration of HK\$1 and such transfer was legally completed on the same date. As a result, Five Dragons became a wholly owned subsidiary of Hin Lone.
- (5) On 27 May 2016, Mr. Leung entered into a share transfer agreement relating to the entire issued share capital of Mastery with Hin Lone, pursuant to which Mr. Leung transferred 100,000 shares of Mastery (which represented the entire issued share capital of Mastery) to Hin Lone at the consideration of HK\$1 and such transfer was legally completed on the same date. As a result, Mastery became a wholly owned subsidiary of Hin Lone.
- (6) On 27 May 2016, Mr. Leung, Mrs. Leung and Mr. Chow entered into a share transfer agreement relating to the entire issued share capital of Leung Pui with Hin Lone, pursuant to which Mr. Leung transferred 20,000 shares of Leung Pui (which represented the entire issued share capital of Leung Pui) to Hin Lone at the consideration of HK\$1, with Mrs. Leung and Mr. Chow acting as confirmors and such transfer was legally completed on the same date. As a result, Leung Pui became a wholly owned subsidiary of Hin Lone.
- (7) On 27 May 2016, Mr. Leung, Mrs. Leung and Mr. Chow entered into a share transfer agreement relating to the entire issued share capital of Ho Yip with Hin Lone, pursuant to which Mr. Leung and Mrs. Leung transferred 8,000 shares and 12,000 shares of Ho Yip (which together represented the entire issued share capital of Ho Yip) respectively to Hin Lone at an aggregate consideration of HK\$1, with Mr. Chow acting as confirmor and such transfers were legally completed on the same date. As a result, Ho Yip became a wholly owned subsidiary of Hin Lone.
- (8) On 27 May 2016, Mrs. Leung entered into a share transfer agreement relating to the entire issued share capital of Kin Wo with Hin Lone, pursuant to which Mrs. Leung transferred one share of Kin Wo (which represented the entire issued share capital of Kin Wo) to Hin Lone at the consideration of HK\$1 and such transfer was legally completed on the same date. As a result, Kin Wo became a wholly owned subsidiary of Hin Lone.

As at the Latest Practicable Date, the Reorganisation had been properly and legally completed in compliance with all relevant laws and regulations.

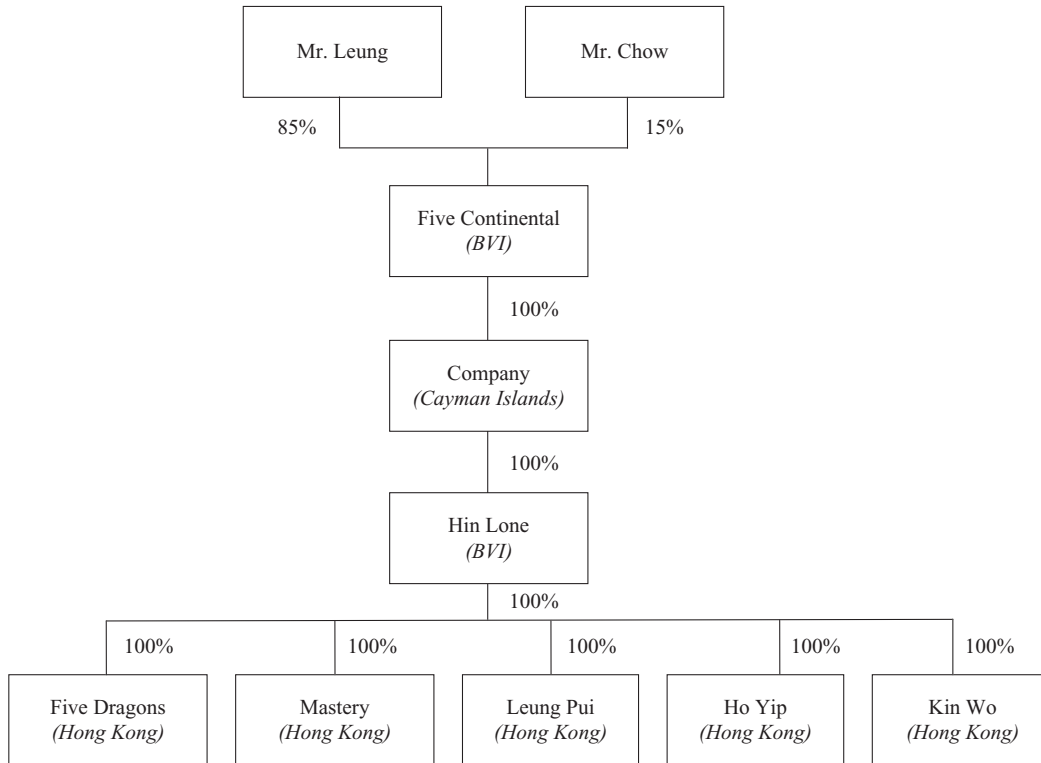
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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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As part of the Share Offer, the Selling Shareholder (i.e. Five Continental) will offer 120,000,000 Sale Shares for sale under the Share Offer. For details of the Sale Shares offered by the Selling Shareholder, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

The following chart sets out the shareholding structure of our Group immediately after the Reorganisation but prior to the Share Offer and the Capitalisation Issue:–

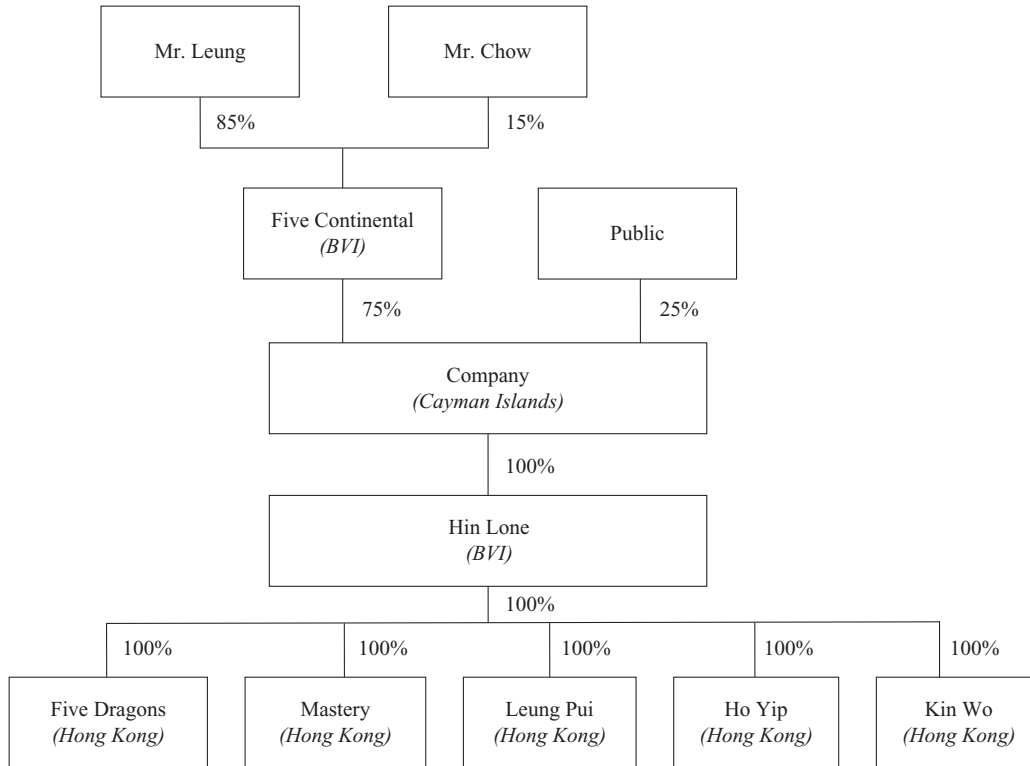


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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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The following chart sets forth the shareholding structure of our Group immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):–



## BUSINESS

### OVERVIEW

*Our business:* We are an established subcontractor in Hong Kong with an operating history of over 22 years. We principally provide formwork works, which can be categorised into two types, in terms of the materials mainly used in the formwork works, namely, (i) traditional timber formwork by using timber and plywood; and (ii) metal formwork system by using aluminium. Formwork is an essential and indispensable step for concrete building construction. Fresh concrete needs time to harden and a containment to form the desired shape and size and thus, formwork is used to contain the poured concrete and to mould the concrete into the required dimensions and shape. After the concrete is able to support itself, the formworks will be removed. We have our own team of skilled labour and general labour to perform on-site works, which is sometimes required in the contracts from some sizable contractors in Hong Kong. Our Group has participated in a number of large-scale formwork projects and has accumulated sufficient skills and experience in handling technically complicated and/or sizable formwork works, allowing us to capture opportunities in the construction market.

*Our revenue:* During the Track Record Period, we derived a substantial portion of our revenue from formwork works in Hong Kong which amounted to approximately HK\$186.0 million, HK\$466.5 million, HK\$598.5 million and HK\$574.2 million, respectively, representing approximately 93.1%, 96.5%, 99.9% and 100% of our revenue during the corresponding period, respectively. The remaining approximately 6.9%, 3.5%, 0.1% and 0.0% of our revenue in the respective sum of approximately HK\$13.8 million, HK\$16.8 million, HK\$0.9 million and HK\$0.1 million was generated from three building construction works projects undertaken by us during the corresponding periods.

*Our formwork projects:* The formwork projects undertaken by us originated from both public sector projects (including projects where the ultimate employer(s) are Government departments and statutory bodies) and private sector projects (including projects where the ultimate employer(s) are property developer(s) and land owner(s)). The respective number of formwork projects handled by our Group and the revenue attributable to public sector projects and private sector projects by provision of formwork works during the Track Record Period are as follows:–

	31 March 2014			For the year ended 31 March 2015			31 March 2016			For the nine months ended 31 December					
	No. of project handled  (Note)	Approximate amount  (HK\$ million)	Percentage  (%)	No. of project handled  (Note)	Approximate amount  (HK\$ million)	Percentage  (%)	No. of project handled  (Note)	Approximate amount  (HK\$ million)	Percentage  (%)	2015			2016		
										No. of project handled  (Note)	Approximate amount  (HK\$ million)	Percentage  (%)	No. of project handled  (Note)	Approximate amount  (HK\$ million)	Percentage  (%)
Private sector	13	186.0	100	21	460.8	98.8	30	590.2	98.6	28	477.8	99.4	34	511.4	89.1
Public sector	-	-	-	1	5.7	1.2	3	8.3	1.4	1	2.8	0.6	7	62.8	10.9
<b>Total</b>	<b>13</b>	<b>186.0</b>	<b>100</b>	<b>22</b>	<b>466.5</b>	<b>100</b>	<b>33</b>	<b>598.5</b>	<b>100</b>	<b>29</b>	<b>480.6</b>	<b>100</b>	<b>41</b>	<b>574.2</b>	<b>100</b>

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.



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According to the IPSOS Report, various factors mainly including the rising demand for domestic housing units and the Government's initiative to increase housing supply, will continue to be drivers for the growth in the construction industry in Hong Kong. In view of these growth drivers, our Directors anticipate that the number of formwork projects in Hong Kong will continue to increase.

*Our customers:* During the Track Record Period, our Group derived a significant portion of our revenue from our two largest customers, namely, Customer A and Customer B which carry out business as main contractors of building construction in Hong Kong. For the three years ended 31 March 2014, 2015, 2016 and the nine months ended 31 December 2016, we generated approximately 46.2%, 60.6%, 61.2% and 38.1% of our total revenue from Customer A and approximately 45.4%, 33.0%, 31.4% and 17.4% of our total revenue from Customer B, respectively. Revenue generated from our five largest customers during the Track Record Period amounted to 100%, approximately 98.6%, 97.8% and 89.2% of our total revenue, respectively. Our ultimate customers include owners of the projects, property developers and the Government.

*Major materials, our suppliers and subcontracting arrangement:* The major raw materials used by us for carrying out formwork works mainly comprise timber, plywood, aluminium and steel. Purchases from our five largest suppliers accounted for approximately 71.6%, 68.4%, 82.8% and 63.0% of our total material costs for the three years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, respectively. Depending on the type of works and the level of our internal resources, we sometimes subcontract part of our formwork works or assign a particular work process such as facade installation works in our works to our subcontractors. We enter into subcontracting agreements with our subcontractors in the terms similar to those contained in the relevant contract between our customers and us. Subcontracting fees accounted for approximated 13.6%, 16.9%, 21.5% and 23.2% of our total direct cost during the Track Record Period.

### COMPETITIVE STRENGTHS

Our Directors believe our Group possesses the following competitive strengths:

- 1. We have an established operating history and proven track record, which enables us to maintain long-term business relationship with our customers, suppliers and subcontractors**

Our Group has over 22 years of experience in the construction industry in Hong Kong. Our history can be traced back to the year 1994 when Mr. Leung established our Group for carrying out formwork works business. Especially in 2006, we were engaged to perform the formwork works for the superstructure of the Noah's Ark in Ma Wan and the external wall of the ark of that was irregular in shape and in different slope angles, which required sophisticated skills in carrying out the relevant formwork works. We believe that our Group's expertise and skills accumulated in the construction industry gives our customers' confidence in our ability to complete our construction works of different complexity with good quality in a timely manner.

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We have been providing formwork works to our five largest customers during the Track Record Period whose business relationship with us ranged from one year to 13 years. According to the IPSOS Report, main contractors tend to select their subcontractors based on reputation, proven high-quality work and on-time project completion track records and maintaining good customer relationships provides more opportunities and higher chances to (i) be invited for and (ii) win tenders. Our Directors believe that our long-term relationship with some of our major customers reinforces our Group as one of the preferred subcontractors to their projects. In particular, some of our customers with long-term relationship with us are wholly-owned subsidiaries of public companies listed on the Main Board and are long-established property developers or contractors in Hong Kong. Our Directors believe that our satisfactory completion of previous works on a timely basis enables us to maintain a continuous business relationship with these customers.

On the other hand, we keep a pre-approved list of suppliers and a list of pre-approved subcontractors. All of our subcontractors possess the relevant qualifications and/or relevant experience, and our top five subcontractors and suppliers during the Track Record Period have been our subcontractors and suppliers for a period ranging from one year to 10 years. Our Directors believe that our stable relationship with our subcontractors and/or suppliers facilitates (i) a smooth delivery of good quality materials and/or services to our Group; (ii) a favourable bargaining position for purchase of materials with relatively stable price and terms, and (iii) the availability of supplies throughout the entire project period, which is crucial to our Group's day-to-day operations and future business development.

### **2. We are one of the leading formwork subcontractors in Hong Kong**

According to the IPSOS Report, the formwork works industry is highly fragmented and as of April 2017, there were 788 subcontractors on the list of registered subcontractors under formworks category of the Construction Industry Council. We have proven our ability to capitalise on our continuous efforts in our long operating history to become one of the largest and most successful players in the formwork works industry in Hong Kong. According to the IPSOS Report, our Group's revenue accounted for approximately 9.3% of the total industry revenue of HK\$4,994.2 million in the calendar year of 2015, and places our Group among the main industry players. We believe that we are of a well-developed scale and have the capabilities to continue to compete and further enhance our position in the Hong Kong formwork works industry.

During the Track Record Period and up to the Latest Practicable Date, we had completed 32 formwork projects. As at the Latest Practicable Date, the aggregate original contract sum for our projects on hand (including projects in progress as well as projects that were awarded to us but not yet commenced) was approximately HK\$1,268.2 million. Our Directors believe that our successful completion of these projects can enhance our reputation in the industry and give us a competitive edge in securing new projects in both public and private sectors. Our ability to satisfy our customers' requirements on a timely basis gives us the competitive edge in attracting more business opportunities in the future. For further details of our completed and on-going formwork projects, please refer to the paragraph headed "Business – Our formwork projects" in this section.

**3. We have an experienced and professional management team and a team of operational staff in carrying out formwork works**

Majority of our executive Directors of our Group have extensive experience and/or technical knowledge in the construction industry in Hong Kong. Up to the Latest Practicable Date, they have been working in the construction industry in Hong Kong on average for over 15 years. In addition, we have a dedicated team of senior management which possesses expertise and relevant professional qualifications on project management, contract management, finance operation and administration work, which together is crucial for us to ensure effective and efficient completion of projects undertaken by us. Please refer to the section headed “Directors, senior management and employees” of this prospectus for the biographical details of our executive Directors and senior management.

Attributed to the experience and technical knowledge of our executive Directors and our senior management, we are able to remain competitive and well-positioned in competing for, and securing contracts in the future. Our Directors are confident that with the in-depth industry knowledge of our senior management, our Group will remain competitive and reputable in the industry.

According to the IPSOS Report, the shortage of workers in the construction industry in Hong Kong has been a common problem to contractors. Notwithstanding that, as at the Latest Practicable Date, our Group had a team of operational staff including direct site workers of 1,124 staff members with relevant skills to carry out the formwork works and to ensure that we can complete quality construction works efficiently. It is noteworthy that contracts with sizable contractors, such as Customer A, sometimes contain a prerequisite condition requesting their subcontractors, like our Group, to have their own direct labour to carry out the formwork works under the contracts. Therefore, our Directors consider that the possession of our own team of direct site workers, being our competitive advantage, would minimise our risks of labour shortages, facilitate us to obtain contracts from sizable customer, including Customer A, reduce our reliance on subcontractors and maintain the quality of our works consistently by deploying our direct site workers.

**4. We are committed to high safety and environmental management standards and stringent quality controls**

Our Directors believe that the stringent quality assurance system and strong commitment to work’s quality, safety, occupational health and environmental management are crucial to us in delivering quality works to our customers on a timely basis. Therefore, we have implemented a stringent management system regulating our work’s quality, safety and environmental management standards, which comply with international standards. We have achieved the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 accreditation for our quality management system, environmental management system and occupational safety and health management system respectively. For each of the year ended 31 December 2013, 2014, 2015 and 2016, the accident rates in respect our Group’s employees were approximately 27.4, 20.0, 25.4 and 22.7 per 1,000 workers, respectively. This accident rate at our construction sites was lower than the construction industry average in Hong Kong for the years ended 31 December 2013, 2014 and 2015. A comparison of the industry’s average accident rate and that of our Group’s for the calendar year 2016 is not

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available as there is no relevant industry average accident rate for such period as at the Latest Practicable Date. Our Directors believe that the comparatively low accident rate was attributed to our in-house registered safety officers and safety supervisors who monitor the safety control procedures and rules in our construction sites. According to the IPSOS Report, our emphasis on safety is also a competitive advantage when bidding for contracts.

Further details of our quality control measures are set out in the paragraph headed “Business – Quality assurance” in this section. In light of the above, our Directors believe that we are capable of completing the construction works undertaken by us in high standards and achieve sustainable growth in our business in the construction industry.

### **BUSINESS STRATEGIES**

Our principal business objectives are to achieve sustainable growth, further strengthen our position in the formwork works industry in Hong Kong, and to create long-term value for our Shareholders by executing the following key strategies:

#### **Compete for sizable and profitable formwork projects**

The number of formwork projects that can be executed by our Group concurrently at any given time is subject to our then available resources including the availability of our skilled labour and the workforce of our subcontractors from time to time. As such, our Directors believe that our Group should focus on deploying our resources towards competing for sizable and profitable formwork projects in Hong Kong so that we can deploy our labour to a designated project during a particular project period without shifting them from one project to another swiftly. As such, we can accomplish operational efficiency and stability in deployment of labour. Our Directors believe that the net proceeds from the Share Offer will strengthen our Group’s available financial resources, which allows our Group to recruit more direct labour and undertake more large scale and profitable projects in terms of contract sum and profit margin in the future, in particular, sizable contractors, like Customer A, usually require their subcontractors, like our Group, to have their own direct site workers in carrying out the subcontracted works.

#### **Put more emphasis on formwork projects involving aluminium formworks**

Timber, plywood, aluminium and steel are the major materials commonly used in traditional formworks in the construction industry in Hong Kong. According to the IPSOS Report, one of the major future trends and development of formworks industry in Hong Kong is the use and adoption of aluminium formworks for environmental protection purpose as aluminium frameworks panels, unlike timber and plywood, can be reused and recycled. Moreover, according to the IPSOS Report, comparing the two types of formworks, aluminium is advantageous due to its lightness and strength, making the formwork formation easier. Owing to its reusable material property, strength and lightness, employing aluminium in turn would further shorten the time required for formwork works, reducing both the overall and unit costs in the long run. Comparing the gross profit margin by type of formworks for the year ended 31 March 2016 and the nine months ended 31 December 2016, the gross profit margin contributed from metal formwork projects and both timber and metal formwork projects was higher than that from the timber formwork projects. For further

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details of the gross profit margin by type of formwork, please refer to the paragraph headed “Financial information – Gross profit and gross profit margin” in this prospectus. Hence, our Group intends to compete for projects involving aluminium formworks to mature this cost-effective method and skill.

During the Track Record Period and up to the Latest Practicable Date, our Group secured seven formwork projects involving aluminium formworks. As the material cost on aluminium formworks is generally higher than timber formworks, more financial resources are needed to undertake more projects involving aluminium formworks. To achieve sustainable growth and capture the trends in the formwork works industry, we will put more efforts in securing new projects involving aluminium formworks so that we can accumulate more experience and skills in this respect. To secure these projects, we intend to proactively maintain relationship with major main contractors in Hong Kong by submitting more quotations and tenders involving aluminium formworks, and to recruit new staff and/or provide trainings to existing staff in relation to aluminium formworks in order to sharpen their skills thereof.

### **Manage costs effectively to ensure sustainable business development**

Our Group believes that managing costs of our business activities effectively can help enhance our competitiveness in the formwork works industry, and create long-term value for our Shareholders. We plan to manage costs in three major ways, namely, (i) purchase materials in bulk with advance payment, which would allow us to have a stronger bargaining power to negotiate with our suppliers including the manufacturers of those construction materials for a more favourable term; (ii) instead of renting metal scaffold equipment, we intend to purchase them in order to reduce construction costs in the long run; and (iii) acquiring our own machineries to enhance our overall operational efficiency.

We believe that our investment in machineries including forklifts and lorry cranes, can help strengthen our position to cater for formwork projects of different scales and complexity, and to enable us to meet the expected growing demand in the formwork works industry in Hong Kong and to deliver materials within and/or between project sites speedily. Our Directors believe that the purchase of additional machineries will also enable us to cope with our future business expansion and to enhance our overall efficiency, capacity and technical capability in performing formwork projects. By doing so, we can cater for various needs and requirements of different customers.

### **Enhance our business operations and capacity**

To further strengthen our position in the formwork works industry in Hong Kong, our Directors plan to manage our operation in two major ways, namely, (i) renting a warehouse for materials, machineries and equipment storage; and (ii) further strengthening our manpower.

In anticipation of our future growth in business operation and capacity, it is inevitable for us to expand our storage space for our materials, machineries and equipment as it may not be feasible for us to place the materials, machineries and equipment at the project site for a long time. As such, we have decided to rent a warehouse in order to cope with the increasing operational capacity.

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Further, we believe that a strong team of staff members of all levels equipped with sophisticated skills and experience in the formwork works industry is crucial to our continuing success and further expansion, which would enable us to better compete for sizable formwork projects and broaden our customer base. In terms of operation staff, we intend to recruit quantity surveying staff, safety supervisors, crane/ forklift operators and warehouse workers. With an aim to facilitate higher efficiency in office administration as required due to our business expansion, we have decided to recruit more administrative staff. With our future expanded workforces, we are able to cater for the growing demand for formwork works industry, further driving our business development.

In addition to the scale of our workforce, we believe that the quality of our staff, existing or future, is of essence to our business operations and hence, a crucial asset of our Group. Therefore, we encourage our staff to upgrade their skills and knowledge by offering reimbursements to our staff after they have received relevant trainings and attending development programs in relation to their respective work positions and skills. Training programs covering formwork works, as well as occupational health and safety, will be conducted either through internal training or by external parties, such as other training authorities.

### OUR BUSINESS ACTIVITIES

We principally provide formwork works in Hong Kong in both public and private sectors. During the Track Record Period, we derived a substantial portion of our revenue from formwork works in Hong Kong which amounted to approximately HK\$186.0 million, HK\$466.5 million, HK\$598.5 million and HK\$574.2 million, respectively, representing approximately 93.1%, 96.5%, 99.9% and 100% of our revenue during the corresponding period respectively. A small portion of our revenue, which amounted to approximately HK\$13.8 million, HK\$16.8 million, HK\$0.9 million and HK\$0.1 million respectively, accounting for approximately 6.9%, 3.5%, 0.1% and 0.0% of our revenue, during the corresponding period respectively, was generated from the building construction works carried out by us as a subcontractor through one of our subsidiaries, namely, Ho Yip.

### FORMWORK

Formwork forms an essential and indispensable step for concrete building construction. Fresh concrete needs time to harden and a containment to form the desired shape and size and thus, formwork is used as a mould to contain the poured fresh concrete to mould the concrete into the required dimensions. After the concrete is able to support itself, the formwork will be removed.

Set forth below is a simplified formwork works sequence of a typical floor based on manual timber formwork works for illustration of our business activities:–

#### **Step one: Level survey and setting out**

The step of level survey and setting out at the area to be built is to ensure that the formworks will be erected in accordance with the construction drawings.

### **Step two: Preparation of the formwork panels**

Plywood are cut into panels of designated size to suit for erection. Thereafter, the formwork panels are cleaned and coated with the form release agent, a kind of chemical which is used to prevent the plywood from bonding to the concrete finishes, before erection.

### **Step three: Formwork erection**

The form panels are erected to form the mould of the walls, columns, beams and soffits. The form panels are connected by timber struts and waling with the help of nails and bolts.

### **Step four: Alignment checking**

After erecting the formwork, the vertical and horizontal alignments are checked. Tolerance is limited to millimetres to ensure the formwork erected will not deviate from the original design.

### **Step five: Concrete pouring**

Reinforcement will be performed, fabricated and fixed in accordance with the requirements in the construction drawings and specification. We will then inspect the formwork to ensure that it is in the right alignment after such reinforcement. Concrete is poured with the aid of appropriate equipment after securing that the condition of formwork is firm enough to withstand the concreting process.

### **Step six: Striking of the formwork**

The process of removing the formwork, which is called as striking, will commence after the concrete has gained the required strength. Normally, wall formwork and column formwork can be struck after 12 hours, but the striking times vary from project to project. Nails and bolts have to be removed or bent in order to remove the formwork. Formwork panels suitable for continuous use will be lifted to the upper floor for future erection.

### **Step seven: Repeat step one to step six as a construction cycle for every typical floor**

Steps are repeated similarly as on the upper floor. Construction workers are usually specialised in one to two work steps. To enhance working efficiency, construction works sites are usually divided into various work zones in order to allow for more work fronts for workers to perform their works at the same time.

Depending on the complexity of the design of the building, the construction cycle of a typical floor (i.e. for completion step one to step six set out above) generally takes four days to six days. Sometimes, our customer requests us to submit tenders with different options in respect of the length of cycles for completion of the formworks erection on a typical floor of a building. In general, the shorter the cycle, the higher the price as we have to allocate more labour and form a mould for erection at the same time in order to complete the required works. Depending on the requirements of individual customers, our Group will try to allocate sufficient manpower to complete the works in a timely manner.

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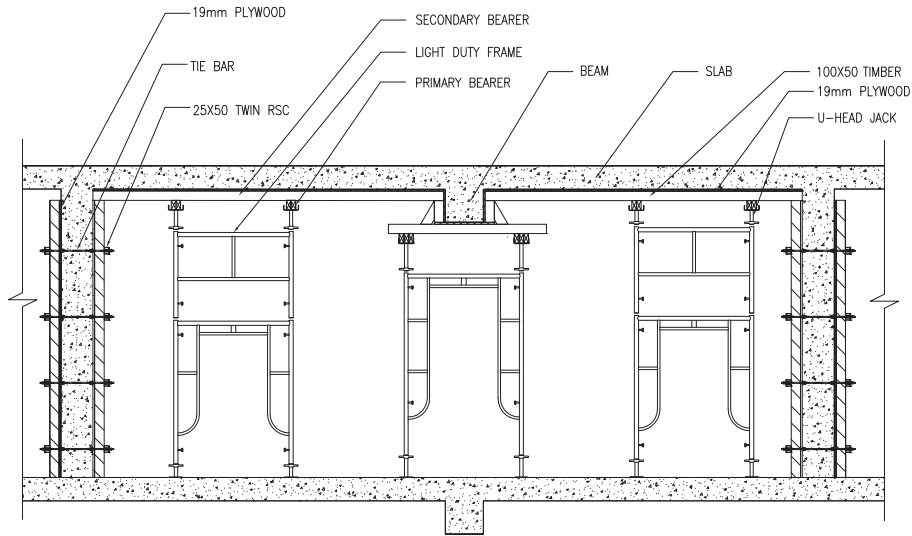
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For those non-typical floors, such as carparks, podiums and clubhouses in a building or a site, the formwork works sequence is similar except that the formwork panels may not be repeatedly used for the upper floors of such non-typical floors.

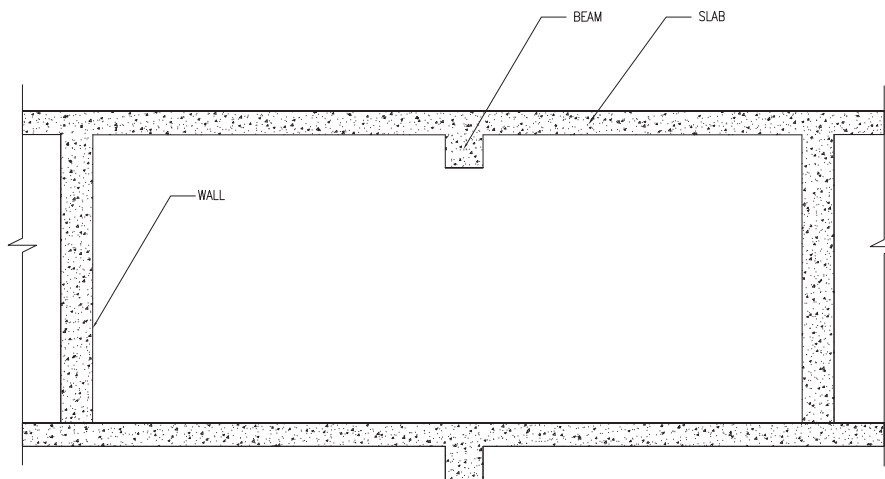
### ILLUSTRATION ON THE USE OF FORMWORK

Different formwork plans are adopted for different building components. We set forth below some general and common building components and their corresponding formwork plan for illustration purpose.

#### (i) A floor by timber formwork



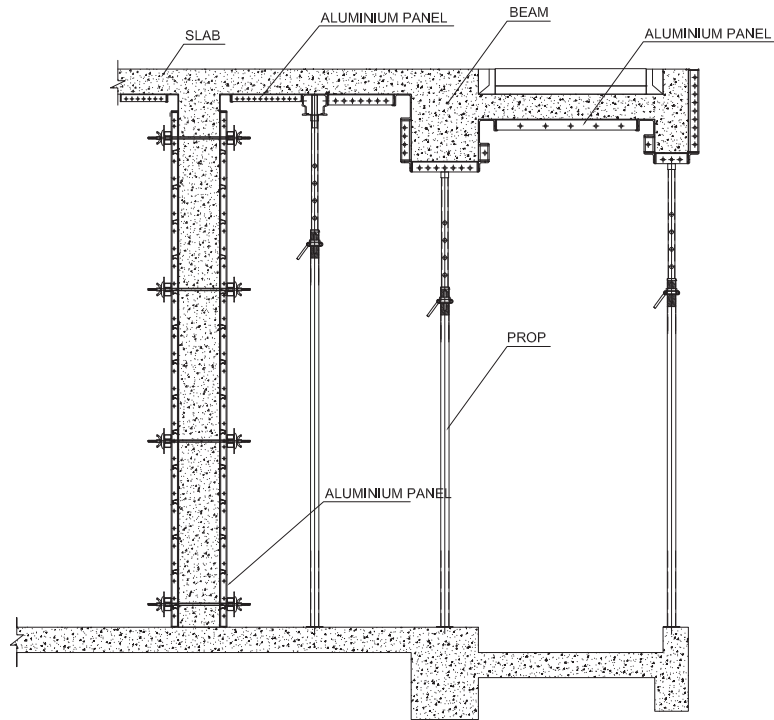
**The timber formwork plan adopted for a floor**



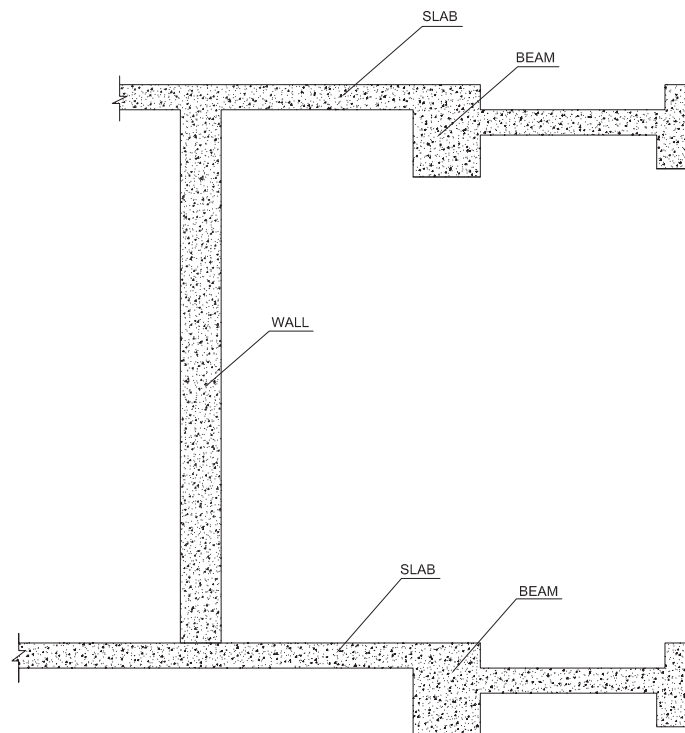
**The floor after removing the timber formwork**



**(ii) A floor by aluminium formwork**

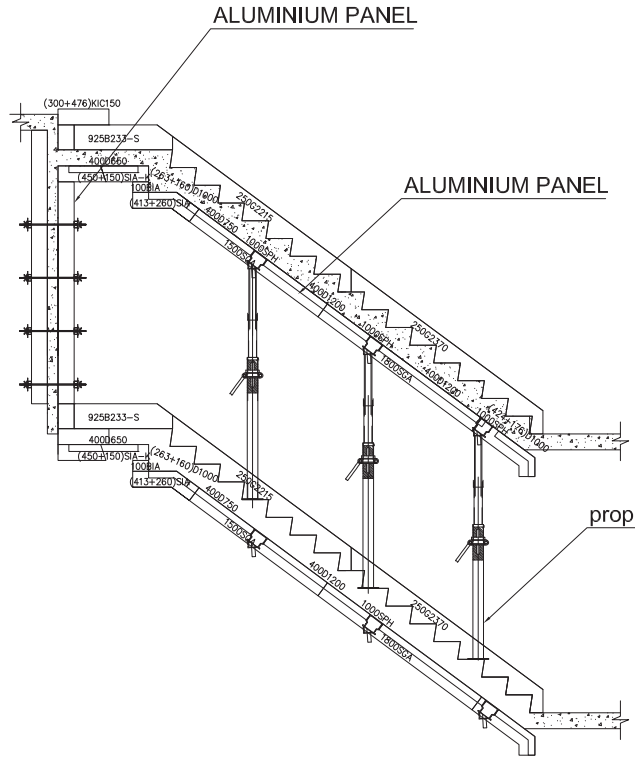


**The aluminium formwork plan adopted for a floor**

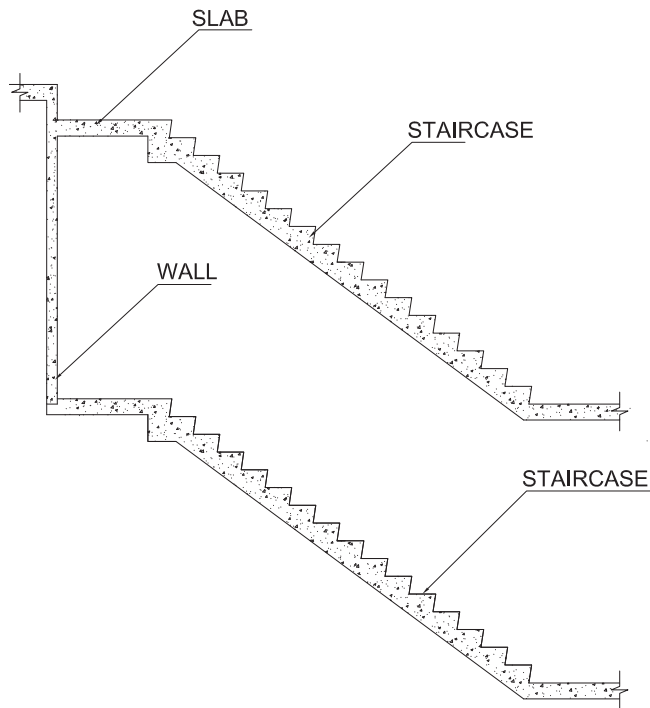


**The floor after removing the aluminium formwork**

(iii) staircase

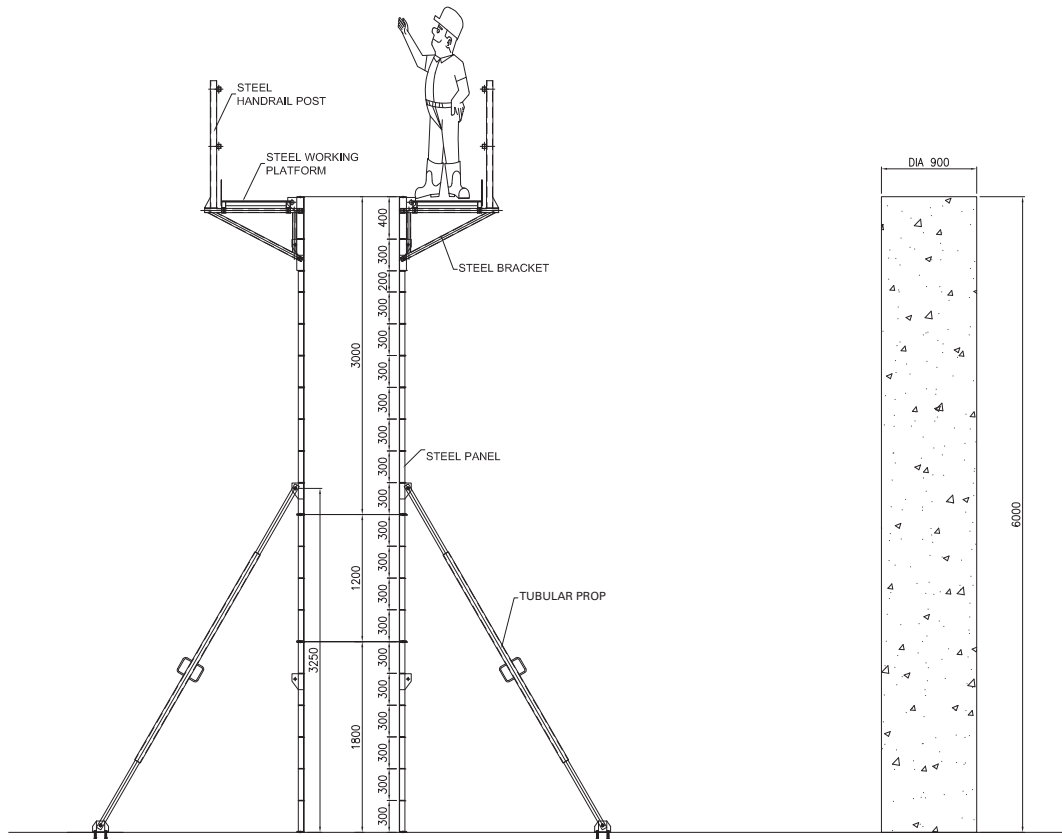


The formwork plan adopted for a staircase



The staircase after removing the formwork

(iv) A circular steel column



The steel formwork plan adopted for a circular column

The circular column after removing the steel formwork

**MATERIALS OF THE FORMWORKS**

We generally categorise formwork works into two types, in terms of the materials usually used in the formwork works, namely, (i) traditional timber formwork using materials comprising timber and plywood; and (ii) metal formwork using materials comprising aluminium. We set out below the features of these two kinds of materials adopted in the projects undertaken by our Group during the Track Record Period:

<b>Material of formwork</b>	<b>Material features</b>	<b>Advantages</b>	<b>Disadvantages</b>
Timber and plywood	<ul style="list-style-type: none"><li>● Timbers are harvested from trees and comes from trees that have needle-like leaves such as pine, cedars and firs</li><li>● Plywood are built up of thin layers of wood under intense heat and pressure</li></ul>	<ul style="list-style-type: none"><li>● Economical, especially for small-scale construction projects</li><li>● High adaptability to complicated shape</li></ul>	<ul style="list-style-type: none"><li>● Less environmentally friendly as considerable amount of timber and plywood waste would be produced</li><li>● Shorter life span</li><li>● Time-consuming</li><li>● More labour intensive</li></ul>

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Material of formwork	Material features	Advantages	Disadvantages
Aluminium	<ul style="list-style-type: none"> <li>● Pure aluminium is attacked chemically by wet concrete, so aluminium alloys are used to resist corrosion</li> </ul>	<ul style="list-style-type: none"> <li>● Longer life span</li> <li>● More environmentally friendly as they can be reused and the waste aluminium can be scrapped for recycling, less waste produced</li> <li>● Less labour force required for erecting and striking formwork</li> <li>● Better concrete finish</li> <li>● Higher efficiency in site works</li> </ul>	<ul style="list-style-type: none"> <li>● High initial material cost</li> <li>● Low flexibility as design cannot be easily changed after the formwork is fabricated</li> <li>● More time on material ordering</li> </ul>

Among the 53 formwork projects from which we recognised revenue during the Track Record Period, 48 projects had solely adopted traditional timber formworks whereas five projects had involved aluminium formworks. According to the IPSOS Report, it is the trend in the formwork works industry to use aluminium for formation of formwork panels. Hence, we plan to secure more projects involving aluminium formworks so that we can accumulate more experience and skills in this respect, in order to cope with the forecasted increase in demand for aluminium formworks in the future.

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### OUR FORMWORK PROJECTS

In Hong Kong, land owners, property developers or government departments usually initiate construction projects and engage main contractors to take up the responsibility of the overall administration and supervision of the whole or part of the construction works, mainly including site formation, piling, demolition, erection of architectural superstructure and/or structural alteration, involved in the construction projects. The main contractors may not carry out all the construction works by themselves and thus they may delegate specific works, such as the formwork works to different subcontractors. According to the IPSOS Report, it is a common practice of the construction industry in Hong Kong for main contractors to outsource parts of construction projects to subcontractors for the following reasons:–

- (i) the main contractor does not have the expertise in certain areas;
- (ii) the main contractor needs to share project workload due to the large project size and/or tight deadline; and/or
- (iii) the main contractor does not have the registration or licence required to tender for the projects and carry out the relevant contracted works.

As a result, our Group, mainly acting as a subcontractor, can obtain projects from main contractors for a specific part of the construction works, i.e. formwork works. During the Track Record Period, our Group obtained formwork projects mainly through tenders. For the three years ended 31 March 2016 and the nine months ended 31 December 2016, the aggregate number of formwork projects obtained through tenders and direct invitation from customers was 49 and three respectively.

Our tenders are prepared based on our estimates and available information, taking into consideration the deployment of our then available labour resources to carry out the construction works, the construction materials and labour costs, as well as the complexity and length of the relevant projects.

The following table sets forth the number of formwork projects tendered and won by our Group for each of the financial years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016 respectively:–

	For the year ended 31 March			For the nine months ended 31 December
	2014	2015	2016	2016
The number of projects tendered for	25	28	93	92
The number of projects won	12	11	17	9
Success rate (%)	48%	39%	18%	9.8%

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Notwithstanding the significant decrease of our success rate from 39% for the year ended 31 March 2015 to 18% for the year ended 31 March 2016 in winning tenders, the number of projects awarded to us had indeed increased from 11 to 17 in the same period.

*Reasons for significant drop of our tender success rate:* Subsequent to the year ended 31 March 2015, our Directors believe that (i) submitting more tenders can strengthen our presence in the construction industry and (ii) assisting more contractors to secure main contracts from project owners by including our formwork works when they are preparing their tenders at the main contract tendering stage (i.e. preparing tenders for contractors who were in the course of bidding the main contract from the same respective project owner), which can in turn diversify our customer base. As such, more tenders were submitted to main contractors or other contractors for the year ended 31 March 2016 and the nine months ended 31 December 2016, including some contractors with whom we had no prior working relationship. As a result, even we managed to win 17 and nine new projects for the year ended 31 March 2016 and the nine months ended 31 December 2016, with such an increase in the number of projects tendered for, a lower tender success rate in the year ended 31 March 2016 and the nine months ended 31 December 2016 was resulted as set out in the table above.

Furthermore, owing to our financial needs for expansion of our business, we had been more prudent in our estimation of costs and time and this approach might have caused our tender price less competitive than our competitors in the cases where our Group was not awarded with the contract. As such, our tender success rate dropped significantly in the year ended 31 March 2016 and thereafter. Our Directors believe that the Listing could provide more capital and resources for more proactive approach in tendering. For details, please refer to the paragraph headed “Future plans and use of proceeds – Reasons for the Listing – Necessity of fund raising through the Share Offer” in this prospectus.

### **Formwork projects handled during the Track Record Period**

During the Track Record Period, our Group predominately engaged in erecting formworks for construction works in private residential and commercial buildings. We also undertook a small amount of formwork works for construction works in public housing and buildings for the years ended 31 March 2015 and 31 March 2016 and the nine months ended 31 December 2016. As such, the construction projects undertaken by us were originated from both public sector projects (including projects where the ultimate employer(s) are Government departments and statutory bodies) and private sector projects (including projects where the ultimate employer(s) are property developer(s) and land owner(s)). During the Track Record Period, the revenue generated from private sector projects accounted for 100%, approximately 98.8%, 98.6% and 89.1% of our total revenue, respectively, and the remaining nil, approximately 1.2%, 1.4% and 10.9% of our total revenue during the corresponding periods were generated from public sector projects undertaken by us.

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The number of formwork projects of our Group had undertaken and the respective revenue attributable to public sector projects and private sector projects during the Track Record Period are as follows:

	31 March 2014			For the year ended 31 March 2015			31 March 2016			For the nine months ended 31 December 2016		
	No. of project handled (Note)	Approximate amount (HK\$ million)	Percentage (%)	No. of project handled (Note)	Approximate amount (HK\$ million)	Percentage (%)	No. of project handled (Note)	Approximate amount (HK\$ million)	Percentage (%)	No. of project handled (Note)	Approximate amount (HK\$ million)	Percentage (%)
Private sector	13	186.0	100	21	460.8	98.8	30	590.2	98.6	34	511.4	89.1
Public sector	-	-	-	1	5.7	1.2	3	8.3	1.4	7	62.8	10.9
<b>Total</b>	<b>13</b>	<b>186.0</b>	<b>100</b>	<b>22</b>	<b>466.5</b>	<b>100</b>	<b>33</b>	<b>598.5</b>	<b>100</b>	<b>41</b>	<b>574.2</b>	<b>100</b>

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

### Formwork projects completed during the Track Record Period and up to the Latest Practicable Date

The following table sets forth the details of formwork projects we had completed during the Track Record Period and up to the Latest Practicable Date in chronological order, by their completion dates:

Project no.	Project code	Particulars and location of project	Commencement date <sup>(1)</sup>	Completion date <sup>(2)</sup>	Total revenue recognised during the Track Record Period (approximately HK\$ million) <sup>(3)</sup>
1	047J	Commercial development at Tang Lung Street in Causeway Bay	June 2012	September 2013	3.7
2	043J	Commercial development at Tsing Fung Street in Tin Hau	March 2012	October 2013	0.02
3	044J	Residential development at Casam Beach in Tsuen Wan	July 2012	December 2013	1.8
4	051J	Residential development at lot 66B in Tseung Kwan O	April 2013	February 2014	2.8
5	048J	Commercial and Residential development at Pak Kong in Sai Kung	December 2012	May 2014	25.3
6	045J	Residential development at Lung Tin Tsuen in Yuen Long	May 2013	June 2014	46.7
7	055J	Residential development at Nam Cheong Station in Sham Shui Po	December 2013	August 2014	4.5
8	046J	Residential development at Sha Po Tsuen in Yuen Long	January 2013	April 2015	151.6



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Project no.	Project code	Particulars and location of project	Commencement date <sup>(1)</sup>	Completion date <sup>(2)</sup>	Total revenue recognised during the Track Record Period <i>(approximately HK\$ million)<sup>(3)</sup></i>
9	056J	Residential development at South Lane in the Western District	November 2013	April 2015	8.2
10	059J	Residential development at lot 2139 in Yuen Long	January 2014	September 2015	22.6
11	052J	Residential development at Dragon Road in North Point	August 2013	September 2015	90.5
12	075J	Institutional development at Evangel College in Tseung Kwan O	September 2015	October 2015	0.05
13	058J	Residential development at Sha Po Tsuen in Yuen Long	May 2014	November 2015	169.7
14	063J	Residential development at School Street at Tai Hang	September 2014	January 2016	7.2
15	064J	Commercial development at Sharp Street East in Causeway Bay	October 2014	January 2016	12.3
16	066J	Residential development at lot 66A in Tseung Kwan O	October 2014	January 2016	90.1
17	050J	Residential development at lot 66A in Tseung Kwan O	August 2013	January 2016	34.4
18	057J	Residential development at lot 66C in Tseung Kwan O	January 2014	March 2016	50.0
19	078J	Residential development at Comprehensive Development Area 15 in Yuen Long	October 2015	March 2016	2.7
20	083J	Residential development at Yuen Long Estate in Yuen Long	December 2015	March 2016	0.6
21	061J	Residential development at Belcher's Street in Kennedy Town	December 2014	April 2016	8.9
22	053J	Residential development at Tai Po Tsai in Clear Water Bay	February 2014	May 2016	138.3
23	069J	Residential development at Sai Yee Street in Mong Kok	January 2015	May 2016	15.0
24	062J	Residential development at Sze Mei Street in San Po Kong	November 2014	October 2016	13.2
25	067J	Residential development at lot 66D2 in Tseung Kwan O	March 2015	November 2016	47.7
26	074J	Commercial development at Mercury Street in Causeway Bay	October 2015	November 2016	8.3
27	065J	Commercial development at Tseuk Luk Street in Sun Po Kong	March 2015	November 2016	35.6
28	073J	Commercial development at lot 122 in Tseung Kwan O	July 2015	January 2017	59.8

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Project no.	Project code	Particulars and location of project	Commencement date <sup>(1)</sup>	Completion date <sup>(2)</sup>	Total revenue recognised during the Track Record Period (approximately HK\$ million) <sup>(3)</sup>
29	084J	Residential development at Bisney Road in Pok Fu Lam	April 2016	March 2017	13.5
30	071J	Residential development at Nam Cheong Station in Sham Shui Po	October 2015	April 2017	81.8
31	079J	Commercial and Residential development at Shau Kei Wan Road in Sai Wan Ho	November 2015	April 2017	19.4
32	097J	Residential development at Kwu Tung in Sheung Shui	September 2016	April 2017	1.0 <sup>(4)</sup>

*Notes:*

1. Unless otherwise specified, this refers to the month that our Group made our first MPF contribution record for site workers of the respective construction sites.
2. Unless otherwise specified, this refers to the month that our Group made our final MPF contribution record for site workers of the respective construction sites.
3. Total revenue recognised during the Track Record Period includes revenue recognised due to variation orders or adjustments in contract sum during the Track Record Period.
4. This is a remeasurement contract with the fixed rate of formwork works per square meter. The original contract sum is based on our Directors' estimation of our customer's instruction of the quantity to be completed by us. The actual quantity completed by us may vary.

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### Formwork projects on hand as at the Latest Practicable Date

As at the Latest Practicable Date, the original contract sum for our projects on hand (including projects in progress and projects awarded but yet to have commenced as at the Latest Practicable Date) amounted to approximately HK\$1,268.2 million, of which approximately HK\$217.0 million had been recognised during the three years ended 31 March 2016, and approximately HK\$633.1 million is expected to be recognised as revenue for the year ending 31 March 2017.

The table below summarises our projects on hand as at the Latest Practicable Date:

Project no.	Project code	Particulars and location of project	Commencement date <sup>(1)</sup>	Expected Completion date <sup>(2)</sup>	Original contract sum <i>(approximately HK\$ million)<sup>(3)</sup></i>	Total revenue recognised during the Track Record Period <i>(approximately HK\$ million)<sup>(4)</sup></i>	Amount of contract sum expected to be recognised for the year ending 31 March 2017 <i>(approximately HK\$ million)<sup>(3)</sup></i>
33	076J	Institutional development at Sung On Street in To Kwa Wan	October 2015	June 2017	18.7	17.2	17.9
34	068J	Residential development at Sha Po Tsuen in Yuen Long	March 2015	June 2017	106.0	106.6	18.8
35	060J	Commercial development Salisbury Road in Tsim Sha Tsui	July 2014	June 2017	138.7	206.8	109.9
36	094J	Residential development at Nam Cheong Station in Sham Shui Po (lower blocks and clubhouse)	July 2016	June 2017	12.1	7.9	8.8
37	080J	Residential development at lot 5 in Tsuen Wan	May 2016	May 2017	44.1	27.9	38.2
38	077J	Residential development at lot 509 in Tuen Mun	November 2015	June 2017	40.1	22.1	24.5
39	072J	Residential development at Phase 2 of So Uk Estate in Cheung Sha Wan	December 2015	October 2017	31.8	20.6	17.4
40	092J	Residential development at lot DD92 in Sheung Shui	July 2016	July 2017	47.4	11.7	27.5
41	086J	Residential development at lot No. 93 in Tseung Kwan O	May 2016	July 2017	81.7	56.0	74.2
42	088J	Residential development at MacDonnell Road in Central	May 2016	May 2017	12.0	11.5	12.6
43	087J	Residential development at lot 598 in Ma On Shan	June 2016	May 2017	27.1	20.0	26.1
44	091J	Residential development at Yuet Yuen Street in North Point	July 2016	June 2017	9.6	3.6	4.7
45	090J	Residential development at lot FSSTL205 in Fanling	September 2016	June 2017	36.7	8.5	16.5
46	081J	Residential development at LOHAS Park in Tseung Kwan O (basement and podium)	January 2016	October 2017	61.7	35.8	34.4
47	089J	Residential development at lot IG1(B) at Kai Tak in South East Kowloon	June 2016	November 2017	34.0	15.9	19.9
48	082J	Government Complex at Siu Lun in Tuen Mun	May 2016	December 2017	39.9	2.6	9.7
49	085J	Residential development at LOHAS Park in Tseung Kwan O (superstructure)	June 2016	March 2018	190.0	46.8	75.9

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Project no.	Project code	Particulars and location of project	Commencement date <sup>(1)</sup>	Expected Completion date <sup>(2)</sup>	Original contract sum <i>(approximately HK\$ million)<sup>(3)</sup></i>	Total revenue recognised during the Track Record Period <i>(approximately HK\$ million)<sup>(4)</sup></i>	Amount of contract sum expected to be recognised for the year ending 31 March 2017 <i>(approximately HK\$ million)<sup>(3)</sup></i>
50	093J	Residential development at Nam Cheong Station in Sham Shui Po	October 2016	October 2018	80.5	<sup>(5)</sup>	26.6
51	095J	Residential development at Victory Avenue in Ho Man Tin	September 2016	October 2017	17.1	2.9	10.3
52	096J	Residential development at Shek Kip Mei Estate in Sham Shui Po	September 2016	September 2017	65.3	4.9	18.0
53	070J	Residential development at Phase 1 of So Uk Estate in Cheung Sha Wan	November 2015	October 2017	27.3	19.1	18.8
54	098J	Residential development at Nam Cheong Station in Sham Shui Po (Podium)	November 2016	July 2017	21.7	9.6	18.2
55	099J	Hospital at Kwai Chung Hospital Road in Kwai Chung	January 2017	July 2017	12.6	<sup>(5)</sup>	-
56	100J	Residential development at Cape Road in Chung Hom Kok	January 2017	September 2017	11.3	<sup>(5)</sup>	4.2
57	101J	Industrial development at Wang Lee Street in Yuen Long	March 2017	September 2017	27.6	<sup>(5)</sup>	-
58	102J	Commercial development at Chung Ching Street, Sai Ying Pun	March 2017	February 2018	15.3	<sup>(5)</sup>	-
59	103J	Residential development at Headland Road, Repulse Bay	May 2017	October 2017	5.2	<sup>(5)</sup>	-
60	104J	Commercial development at Queen's Road Central in Central	February 2017	May 2017	0.3	<sup>(5)</sup>	-
61	105J	Residential development at Texaco Road in Tsuen Wan	June 2017	June 2018	29.8	<sup>(5)</sup>	-
62	106J	Residential development at Queen's Road West in Western District	May 2017	January 2018	22.6	<sup>(5)</sup>	-

*Notes:*

1. Unless otherwise specified, this refers to the month that our Group made our first MPF contribution record for site workers of the respective construction sites or based on the first payment certificate issued by the respective customers.
2. Unless otherwise specified, this refers to the expected completion date as stipulated in the contracts between our customers and us or based on our Directors' estimation.
3. Original contract sum and amount of contract sum expected to be recognised for the year ending 31 March 2017 exclude any variation orders or adjustments in contract sum after the award of contract.
4. Total revenue recognised during the Track Record Period included revenue recognised due to variation orders or adjustments in contract sum during the Track Record Period.
5. Works for these projects had not commenced or revenue for these projects had not been recognised during the Track Record Period.
6. Except Project 61 and Project 62, all above-mentioned projects were in progress as at the Latest Practicable Date.

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### BUILDING CONSTRUCTION WORKS

During the Track Record Period, we also carried out a small amount of building construction works as a subcontractor through one of our subsidiaries, namely, Ho Yip. The work scope of the building construction works mainly included concrete works and finishes works.

For each of the three years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, we recognised revenue from three private building construction works projects and the aggregate revenue recognised were approximately HK\$13.8 million, HK\$16.8 million, HK\$0.9 million and HK\$0.1 million, respectively, which accounted for approximately 6.9%, 3.5%, 0.1% and 0.0% of our revenue during the corresponding period, respectively. For the year ended 31 March 2014, 2015 and 2016, the net profits of Ho Yip amounted to approximately HK\$1.1 million, HK\$1.1 million and HK\$38,000, respectively. For the nine months ended 31 December 2016, the net loss of Ho Yip amounted to approximately HK\$12,000.

The following table sets forth details of building construction works projects completed by us during the Track Record Period:–

Project no.	Project code	Particulars and location of project	Commencement date <sup>(1)</sup>	Completion date <sup>(2)</sup>	Total revenue recognised during the Track Record Period <i>(approximately HK\$ million)<sup>(3)</sup></i>
A	049J	Residential development at Cheung Hang Road in Lai Chi Kok	November 2012	October 2013	0.04
B	054J	Residential development at Yau Kom Tau in Tsuen Wan	May 2013	July 2014	22.6
C	CPR	Residential development at Castle Peak Road in Tuen Mun	April 2014	September 2014	8.9

*Notes:*

1. Unless otherwise specified, this refers to the month that our Group made our first MPF contribution record for site workers of the respective construction sites.
2. Unless otherwise specified, this refers to the month that our Group made our final MPF contribution record for site workers of the respective construction sites.
3. Total revenue recognised during the Track Record Period includes revenue recognised due to variation orders or adjustments in contract sum during the Track Record Period.

As at the Latest Practicable Date, our Group did not have any on-going building construction works projects on hand. Given the relatively insignificant revenue contribution to the operation of our Group during the Track Record Period and our business strategy on expanding our market share in the formwork works industry, our Directors believe that our Group will not tender for building construction works projects. We will not purport to allocate resources or employees to the building construction works.

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### Our projects backlog

As at 31 March 2014, 2015 and 2016, 31 December 2016 and the Latest Practicable Date, we had a backlog of 11, 18, 17, 27 and 28 projects (representing projects that had commenced that are awaiting to be completed), respectively. The following table shows the respective particulars of our backlog projects, contracts commenced and completed, respectively and the corresponding aggregate original contract sum during the Track Record Period and as at the Latest Practicable Date:

	2014		For the year ended 31 March 2015		2016		For the nine months ended 31 December 2016		For the period from 1 January 2017 to the Latest Practicable Date	
	approximately HK\$'000	Number of contracts attributed	approximately HK\$'000	Number of contracts attributed	approximately HK\$'000	Number of contracts attributed	approximately HK\$'000	Number of contracts attributed	approximately HK\$'000	Number of contracts attributed
Opening aggregate original contract sum of backlog contracts (Note 1)	212,983	6	552,579	11	1,091,658	18	817,192	17	1,324,120	27
Aggregate original contract sum of new contracts commenced (Note 1)	373,941	10	657,699	12	355,624	12	735,492	17	72,321	6
Aggregate original contract sum of completed contracts (Note 1)	(34,345)	(5)	(118,620)	(5)	(630,090)	(13)	(228,564)	(7)	(180,685)	(5)
Closing original contract sum of backlog (Note 1, 2)	<u>552,579</u>	<u>11</u>	<u>1,091,658</u>	<u>18</u>	<u>817,192</u>	<u>17</u>	<u>1,324,120</u>	<u>27</u>	<u>1,215,756</u>	<u>28</u>

*Notes:*

- Our original contract sum excludes any variation orders or adjustments in contract sum after the award of contract.

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2. The following table sets forth the breakdown of the closing original contract sum of backlog as at 31 March 2014, 31 March 2015, 31 March 2016, 31 December 2016 and the Latest Practicable Date by the project types and construction materials:–

	<b>31 March 2014</b>	<b>31 March 2015</b>	<b>31 March 2016</b>	<b>31 December 2016</b>	<b>Latest Practicable Date</b>
	<i>Approximately HK\$'000</i>	<i>Approximately HK\$'000</i>	<i>Approximately HK\$'000</i>	<i>Approximately HK\$'000</i>	<i>Approximately HK\$'000</i>
Formwork works					
– Timber formwork	521,425	1,091,658	673,386	865,795	861,120
– Metal formwork	–	–	82,189	352,627	270,438
– Both timber and metal formwork	–	–	61,617	105,698	84,198
Building construction works	31,154	–	–	–	–
<b>Total</b>	<b>552,579</b>	<b>1,091,658</b>	<b>817,192</b>	<b>1,324,120</b>	<b>1,215,756</b>

The following table sets forth the revenue generated from these backlog projects during the Track Record Period and up to the Latest Practicable Date:–

	<b>For the year ended 31 March</b>			<b>For the nine months ended 31 December 2016</b>	<b>For the period from 1 January 2017 to the Latest Practicable Date</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
Number of backlog projects	11	18	17	27	28
Corresponding revenue recognised during the year/period indicated (approximately \$'000)	192,450	461,107	459,104	524,475	222,511

As at the Latest Practicable Date, the estimated amounts of revenue to be recognised from our backlog in each of the years ending 31 March 2017, 2018 and 2019, were approximately HK\$633.1 million, HK\$460.6 million and HK\$72.4 million respectively.

### Revenue breakdown by type of contracts

Our Group's contracts can be divided into two types, namely, lump sum fixed price contracts and provisional price contracts subject to remeasurement. For the lump sum fixed price contract, its value would then be fixed and determined upon signing of the contract. For the provisional price contracts, they are subject to remeasurement of the works done, schedules of rates that are based on the agreed unit rates and the estimated quantities of

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each item to be consumed in the project is fixed and determined upon signing of the contract. The following table shows the revenue breakdown by these two types of contracts during the Track Record Period:

	2014			For the year ended 31 March 2015			2016			For the nine months ended 31 December 2016		
	<i>No. of project handled</i>	<i>HK\$'000</i>	<i>%</i>	<i>No. of project handled</i>	<i>HK\$'000</i>	<i>%</i>	<i>No. of project handled</i>	<i>HK\$'000</i>	<i>%</i>	<i>No. of project handled</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(Note)</i>			<i>(Note)</i>			<i>(Note)</i>			<i>(Note)</i>		
Fixed price contract	7	114,148	57.1	16	399,926	82.7	21	487,322	81.3	19	276,814	48.2
Contract with provisional price subject to remeasurement	8	<u>85,665</u>	42.9	8	<u>83,404</u>	17.3	14	<u>112,032</u>	18.7	23	<u>297,528</u>	51.8
Total revenue	15	<u>199,813</u>	100.0	24	<u>483,330</u>	100.0	35	<u>599,354</u>	100.0	42	<u>574,342</u>	100.0

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

For our fixed price contract, all the works done are specified in our contracts for a lump-sum amount. However, we are still entitled to claim extra payments when there are variation orders from our customers and/or changes of the specifications which stated in our contract during the contract period. On the other hand, our contract amount could be deducted when we omitted to carry out the works as stated in the contracts.

For our contract with provisional price subject to remeasurement, the payment to us is certified in accordance with the fixed unit price stated in our contract. The quantity of work to be performed based on the available building plans is estimated and preliminarily accessed by the external consultant and stated in our contract. We are entitled to claim extra payments when there are variation orders and/or changes of the specifications which stated in our contract initiated by our customers.

The proportion of fixed price contracts increased from approximately 57.1% in the year ended 31 March 2014 to approximately 81.3% in the year ended 31 March 2016 and decreased to approximately 48.2% for the nine months ended 31 December 2016. Such fluctuation was mainly due to the business decision and preference from our customers. Whether the fixed price contract or the contract with provisional price subject to remeasurement as mentioned above would not cause any material impact on our Group's business operations and financial position.



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## BUSINESS

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### SALES AND MARKETING

Our Group secures businesses mainly through invitations for tenders from customers or their representatives, which our Directors consider attributable to our long operating history, our experienced management team, stringent quality control and reputation in the construction industry in Hong Kong.

We do not maintain a team of full-time staff specialising on sales and marketing. Our main marketing activities include our participation in the activities organised by the organizations in the industry including the Hong Kong Construction Sub-Contractors Association and Hong Kong Formwork Contractors Association (the “**HKFCA**”), whereby we can meet other contractors in the construction industry who may be our potential customers and enhance our popularity among the contractors in the construction industry. Leung Pui is one of the founding members of the HKFCA which was established in 2011. One of the aims of the HKFCA is to promote and develop the formwork works industry, which our Directors believe can help us enhance the professional image of our Group as an established formwork subcontractor with long-established track record in Hong Kong.

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## BUSINESS

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### CUSTOMERS

Set out below is a breakdown of our revenue by major customers:

**For the year ended 31 March 2014:**

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year  <i>(%)</i>	Principal business or sector of the customer	Major category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer A	92,247	46.2	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2003
Customer B <i>(Note)</i>	90,731	45.4	Contractor:  subsidiaries of a public company listed in Hong Kong	Formwork works	2012
Customer C	13,734	6.9	Contractor:  a private company incorporated in Hong Kong	Building construction works	2006
Customer D	3,048	1.5	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2012
Hoover Construction & Engineering Limited	53	0.0	Contractor:  a private company incorporated in Hong Kong	Formwork works and building construction works	2012

*Note:* Customer B represents two entities which were ultimately controlled by the same shareholder

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**For the year ended 31 March 2015:**

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year  <i>(%)</i>	Principal business or sector of the customer	Major category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer A	292,785	60.6	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2003
Customer B <i>(Note)</i>	159,613	33.0	Contractor:  subsidiaries of a public company listed in Hong Kong	Formwork works	2012
Customer E	8,600	1.8	Contractor:  a private company incorporated in Hong Kong	Building construction works	2014
Customer C	8,166	1.7	Contractor:  a private company incorporated in Hong Kong	Building construction works	2006
Customer D	7,583	1.5	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2012

*Note:* Customer B represents two entities which were ultimately controlled by the same shareholder

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**For the year ended 31 March 2016:**

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year  <i>(%)</i>	Principal business or sector of the customer	Major category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer A	366,753	61.2	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2003
Customer B <i>(Note)</i>	188,017	31.4	Contractor:  subsidiaries of a public company listed in Hong Kong	Formwork works	2012
Customer F	13,784	2.3	Contractor:  a private company incorporated in Hong Kong	Formwork works	2002
Customer D	12,593	2.1	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2012
Customer G	5,025	0.8	Contractor:  a private company incorporated in Hong Kong	Formwork works	2001

*Note:* Customer B represents two entities which were ultimately controlled by the same shareholder

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**For the nine months ended 31 December 2016:**

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that period  <i>(%)</i>	Principal business or sector of the customer	Major category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer A	218,600	38.1	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2003
Customer B <i>(Note)</i>	100,045	17.4	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2012
Customer H	97,326	16.9	Contractor:  a private company jointly owned by two companies listed in London	Formwork works	2001
Customer I	57,387	10.0	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2015
Customer J	38,955	6.8	Contractor:  a subsidiary of a public company listed in Hong Kong	Formwork works	2015

*Note:* Customer B represents two entities which were ultimately controlled by the same shareholder

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### CUSTOMER CONCENTRATION

Our five largest customers accounted for 100%, approximately 98.6%, 97.8% and 89.2% of our total revenues for each of the year ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016 respectively. In particular, approximately 46.2%, 60.6%, 61.2% and 38.1% of our total revenue in the respective period was attributable to Customer A; and approximately 45.4%, 33.0%, 31.4% and 17.4% of our total revenue in the respective period was attributable to Customer B.

#### Relationship with Customer A and Customer B

Customer A is a wholly-owned subsidiary of a public company listed on the Main Board and it is principally engaged in the business of building construction and project management. Our Group recognised revenue from Customer A in a total of 18 residential developments and two commercial development during the Track Record Period. The holding company of Customer A had a market capitalisation of more than HK\$327.8 billion as at the Latest Practicable Date. According to the latest annual report of the holding company of Customer A for the year ended 30 June 2016 published on the website of the Stock Exchange, it recorded a revenue of approximately HK\$91.2 billion and a profit, excluding the effect of fair-value changes on investment properties, of approximately HK\$24.2 billion. The holding company of Customer A is one of the key property developers in Hong Kong. For the year ended 30 June 2016, it acquired four sites, with a combined gross floor area of approximately 1.8 million square feet, through public tenders.

Customer B is a group of two companies principally engaged in the business of building construction. Our Group recognised revenue from Customer B in a total of five residential developments, one residential and commercial development and one commercial development during the Track Record Period. Our Group entered into contracts with the two said companies of Customer B separately, which were all ultimately controlled by a company listed on the Main Board. The holding company of Customer B had a market capitalisation of more than HK\$58.5 billion as at the Latest Practicable Date. According to the latest annual report of the holding company of Customer B for the year ended 30 June 2016 published on the website of the Stock Exchange, it recorded a revenue of approximately HK\$29.5 billion and a profit of approximately HK\$4.9 billion. The holding company of Customer B engaged in infrastructure and services business including construction and transport business segment which as at 30 June 2015, the gross value of its construction contracts on hand was approximately HK\$69.7 billion and the remaining works to be completed amounted to approximately HK\$38.6 billion.

#### Reasons for our customer concentration

Our Directors consider that the reasons for our customer concentration during the Track Record Period is a combination of the following key factors:

- (i) Valued business partners: Our Group has been able to maintain a stable relationship with our major customers. We started our business relationship with Customer A and Customer B in 2003 and 2012, respectively. According to the IPSOS Report, reputation and proven practical industry experience are important

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competitive factors in the formwork works industry. While main contractors prefer subcontractors with reputation and proven practice industry experience, our Directors consider that renowned main contractors like Customer A and Customer B are our preferred customers as doing business with them would reduce our credit risk, strengthen our job reference and reinforce our position in the industry. Throughout our long-term course of dealings, we believe our Group and each of Customer A and Customer B have developed, to a certain degree, a mutual beneficial and complementary business relationship in terms of cost effectiveness, efficient communication and satisfactory level of service quality; and

- (ii) Nature of the formwork works industry: Our Directors believe that it is not uncommon for construction companies in Hong Kong that have customer concentration, especially when there is a single project which has a relatively large contract sum, the relevant customer may easily become the construction Company's largest customer in terms of revenue contribution. Further, according to IPSOS Report, proven practical industry experience is one of the important competitive factors in the formwork works industry. Our Directors consider that main contractors tend to invite those subcontractors with whom they have prior business relationship in submission of tender or quotation and as such, it is usual for subcontractors to have customer concentration.

### **Sustainability of our business**

Our Directors are aware of the risk of customer concentration. In this connection, we have, on the one hand, continued to provide services to and maintain good relationship with Customer A and Customer B, and, on the other hand, sought to reduce our customer concentration on Customer A and Customer B by undertaking more projects for other customers. Based on the projects on hand (including projects that have commenced but yet to be completed as well as projects that have been awarded to us but not yet commenced) as at the Latest Practicable Date, the expected amounts of revenue to be recognised from Customer A and Customer B for the year ending 2017 will contribute to approximately 38.1% and 15.8% of our total revenue respectively. By comparing the amounts of revenue recognised during the year ended 31 March 2016, the expected amounts of revenue to be recognised from Customer A and Customer B for the year ending 31 March 2017 decrease from approximately 61.2% to 38.1% and approximately 31.4% to 15.8%, respectively as our Group had diversified our customer base during the Track Record Period and up to the Latest Practicable Date. Our Directors expect that we will continue to secure projects from customers other than Customer A and Customer B in order to lessen the extent of customer concentration for the year ending 31 March 2018 and 2019. Our Directors consider that the loss of any business from Customer A and/or Customer B will not affect our Group's sustainability based on the following reasons:-

- (i) *Diversification of customer base:* Our Group had been successful in diversifying our customer base by entering into formwork contracts with customers other than Customer A and Customer B during the Track Record Period and up to Latest Practicable Date. For the six new contracts awarded subsequent to the Track Record Period and up to Latest Practicable Date, with an aggregate original contract sum of over HK\$100.8 million, were awarded by customers other than

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Customer A and Customer B, including a wholly-owned subsidiary of a public company listed on the Main Board. Our Directors confirm that our Group has no intention to confine its business to serving only a few major customers to avoid reliance on any single customer. Notwithstanding that, taking into account the large scale of operation of Customer A and Customer B and their reputation in the construction industry in Hong Kong, our Directors believe that our provision of formwork works to them would not only generate substantial and stable revenue from each of them, it can also demonstrate our ability to perform and complete formwork works of complexity with good quality and in a timely manner to other main contractors. This would help enhance our Group's reputation and credibility in the formwork works industry. Hence, along with our plan to diversify our customer base, we will continue to maintain our long-term business relationship with Customer A and Customer B. Our Directors and senior management will continue to expand our business network with prospective customers in the market through our own efforts and details of which are set out in the paragraph headed "Business – Sales and marketing" in this prospectus.

- (ii) *Strong demand of formwork works in Hong Kong:* According to the IPSOS Report, the construction industry is extremely active in Hong Kong in the past decades and the Government's initiatives to increase the supply for residential building and commercial buildings will support the demand for formwork works in Hong Kong in the near future. As one of the major players of the formwork works industry, we had also experienced a strong demand during the Track Record Period as evinced by our growth in revenue and increase in number of projects tendered for. Comparing the year ended 31 March 2014 and 31 March 2016, our formwork works' revenue increased from approximately HK\$186.0 million for the year ended 31 March 2014 to approximately HK\$598.5 million for the year ended 31 March 2016 while the number of projects tendered for increased from 25 to 93 for the same period. Our Directors believe that we would be able to find another customers in the unlikely event that our current business relationship with Customer A and/or Customer B deteriorates.
  
- (iii) *Our proven track record in the industry:* Our Group has over 22 years of experience in the formwork works industry in Hong Kong and our Directors believe that our established operating history and proven track record would enhance our reputation and assist us in securing projects from different customers. In addition, our Directors consider that our long-term business relationship with renowned Customer A and Customer B can be regarded as a credit of our high quality services, which in turn allow our Group to attract more potential customers. Furthermore, given that our formwork projects are non-recurring in nature, we enter into contract with our customers on a project-by-project basis and there is no contractual term prohibiting us from developing business relationship with new customers. Therefore, even if Customer A and/or Customer B do not provide new formwork projects to our Group or terminates their/its business relationship with us, we believe we would be able to reallocate our operational resources to serve other existing customers and/or new customers in a timely manner.



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- (iv) *Our plan to expand our scale of operation:* Our business strategies in the future include, among others, competing for (i) sizable and profitable formwork projects and (ii) formwork projects involving aluminium formworks. Through our personnel and labour who possess relevant knowledge in carrying out formwork works with aluminium and industry experience, our Directors believe that our Group will be able to tender for formwork projects with larger scale and/or involving aluminium formworks which require more specialised skills and expertise and would therefore broaden our customer base. For further details of our business strategies, please refer to the section headed “Business – Business strategies” in this prospectus.
- (v) *The possession of our own team of direct site works:* According to the IPSOS Report, labour shortage and aging problem has been a common issue in Hong Kong’s construction industry, our Directors consider that our possession of a team of direct site workers will distinguish our Group from our competitors and further facilitate our Group to capture future opportunities. In particular, contracts from some sizable contractors in Hong Kong sometimes require the subcontractors to deploy their own direct site workers to perform on-site works. Our Directors are confident that we have a strong competitive edge to outperform other subcontractors in the formwork works industry to allow a sustainable development of our business.

Our Directors believe that we have the skills, track record and business networks to secure new projects from new customers by deploying our resources to tender for different projects in Hong Kong in order to diversify our customer base in order to reduce our reliance on our existing major customers. Accordingly, our Directors believe that the loss of any business from Customer A and/or Customer B will not affect our Group’s sustainability.

### **Relationship with Hoover**

During the Track Record Period, we had provided formwork works services to Hoover, which is beneficially owned as to approximately 33.27% by Mr. Chow and approximately 66.73% by Independent Third Parties. Mr. Chow is one of the Controlling Shareholders of our Company and he is also the uncle of our executive Director Mr. Chow Dik Cheung. Hoover is therefore regarded as a connected person to the Company pursuant to the Listing Rules. During the Track Record Period, approximately 0.03%, nil, approximately 0.5% and 0.9% of our total revenue in the respective period was attributable to Hoover, Hoover is one of our five largest customers in the year ended 31 March 2014. For the particulars of the transactions, please refer to the paragraphs headed “Connected Transactions – Exempt continuing connected transactions – 2. Provision of formwork works services to Hoover” in this prospectus for further details.

### **Relationship with our five largest customers during the Track Record Period**

Save for Hoover, none of our Directors, their respective close associates, or any Shareholders who or which, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period. Save for Hoover, all of the five largest customers are

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Independent Third Parties. During the Track Record Period, our Group had not experienced any major disruption in business due to material delays or defaulting payments by our customers by reason of their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers having experienced material financial difficulties that may adversely affect our Group's businesses.

### **Key contract terms with our customers**

Since we mainly act as subcontractors in construction projects, the contracts with our customers generally require us to observe the corresponding terms and conditions in the main contract entered between our individual customers as the main contractor and its ultimate customer or employer. Set out below is a summary of typical key terms of our contracts with our customers:

**Contract price**            The contract sum of our contracts are either a lump sum fixed price or a provisional price subject to remeasurement.

For the lump sum fixed price contract, we undertake to carry out a defined scope of works in return for an agreed contract price.

For the provisional price contract subject to remeasurement, we are provided with a reference to schedule showing the items, brief description and quantities of works to be performed by us and the final contract sum is subject to remeasurement upon completion of the work.

For both kinds of the contracts, the contract price may be adjusted due to any variation orders to the defined scope of works following the mechanism specified in the relevant contract.

**Duration of projects**            Generally, both the expected commencement date and expected completion date are stipulated in the contracts between our Group and our customers. However, the actual or final completion date may be beyond the scheduled completion date due to various reasons, mainly including unanticipated geological conditions of the construction sites, adverse weather and variations of works ordered by customers.

In light of the above, there is an "extension of time" provision in the contracts, which stipulates a mechanism for us to apply for an extension on the completion date so that we would not have to pay any liquidated damages for the delay of completion where the cause is beyond our control. For the projects our Group had secured during the Track Record Period, the duration ranged from approximately one month to 29 months as between expected commencement dates and expected completion dates.

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**Payment terms** We are usually entitled to submit interim payment applications to our customers, usually on a monthly basis, taking into account the amount of works completed in that month. The contract also stipulates both the monthly cut-off date and the party representing the customer, such as the customer's designated surveyor, architect or project manager, to certify the value of the amount of works completed. After the relevant party has certified the value of works completed, our customers usually arrange for settlement of the payment by cheque or bank transfer.

During the Track Record Period, the credit terms in relation to the settlement of amounts due from our customers for the works completed by us vary from contract to contract. Such credit terms may make reference to the payment certificate date or payment application date, with settlement typically ranging from 17 days to 30 days from payment application date, depending on the terms of individual contracts.

**Retention money** Retention money is retained by some of our customers in order to secure due performance of all our obligations under the contract. Subject to negotiation between the parties, the amount of retention money usually represents 5% or 10 % of the value of works certified in each payment, subject to a maximum retention of 5% respectively of the total original contract value. Half of the retention money is usually released to us upon completion of the works and the remaining half is released to us after six months, 12 months or 24 months after the completion of the works. As at 31 March 2014, 2015 and 2016 and 31 December 2016, the amounts of retention money receivable were approximately HK\$5.0 million, HK\$11.3 million, HK\$14.3 million and HK\$30.2 million, respectively.

Our Directors confirm that there was no material claim against us in relation to work defects or substandard workmanship which had been brought against our Group by our customers and resulted in the forfeiture of all or part of the retention money during the Track Record Period up to the Latest Practicable Date.

**Defect liability period** To ensure that we are able to perform the construction works to the satisfaction of our customers, some of our customers may request a six-month, 12-month or 24-month defect liability period in the contract. When there are any defects identified during such period, we will be responsible for rectifying the defects caused by either defective materials or any substandard workmanship without charges to our customers.

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Liquidated damages	The amount of liquidated damages payable by our Group per day if we fail to complete our works on or before the agreed time pursuant to the contract.
Insurance	It is the obligation of the main contractor of the construction project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Under the contracts between the main contractors and our Group, we are required to report any accident or injury happened to our staff and our subcontractor's staff to the main contractor within stipulated time.
Variation orders	Our customers are entitled to request us to carry out variation works, which may involve the alterations or modifications of the design, quality or quantity of the works as described in the contract. A term setting out the mechanism for reaching a variation order between our customers and us is stipulated in the contract. The term also specifies the names and particulars of our customer's representatives who are entitled to issue variation orders to us on behalf of our customers, we can receive payments on our works performed under the variation orders.
Termination	In the event of termination of the main contract between the ultimate employers and our customers, our contracts with our customers will be terminated correspondingly. Furthermore, in the event of default, such as our failure to proceed with the contract work diligently, bankruptcy, liquidation, a petition having been filed against our customers or us or abandoning or suspension in carrying out the contracted works, our customers may terminate the contract by giving notice.

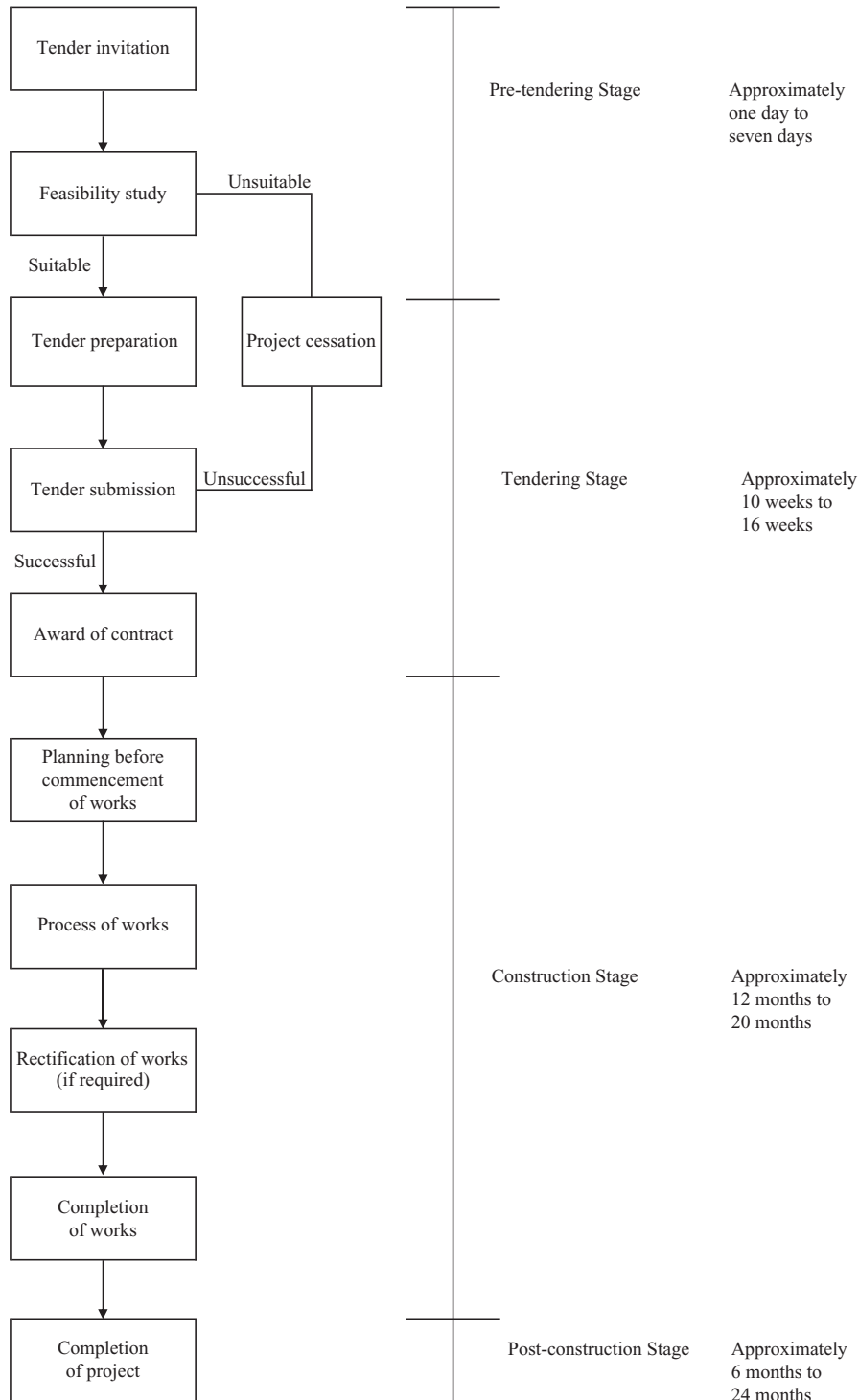
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## OUR OPERATIONS

Key operational procedures of our Group are outlined as below for illustration purpose:



*Note:* The timeframe is calculated on an approximate basis and may vary from project to project depending on the complexity of the project, the requirements of the customer, and/or our agreement with the customer on the timeframe for the material stages.

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Details of key operational procedures as illustrated in the diagram above are set forth as the following:

### **Pre-tendering Stage**

Main contractors or other subcontractors generally approach us by issuing tender invitation letters. Generally, tender invitations contain a brief description of the scope of the works, expected contract period and the closing time for submission of the tender.

Once we have an opportunity to submit tender for a potential project by receiving the tender invitation, our commercial manager and quantity surveying manager would gather all relevant information for preliminary discussion with our Directors, including the name and background of employer, site address, length and time of the project, and specification of the project. Our Directors will consider the feasibility of carrying out the project based on the then available information, available labour force, and other projects on hand. If we consider that the project is feasible, our executive Directors will generally discuss with the customers about the business nature, scope of work and duration of the projects.

Generally, we may have to decline the tender invitation if our resources are already taken up by other projects.

### **Tendering stage**

Once our Directors have decided to submit a tender, we will arrange for site visits in order to estimate the manpower required, duration and machineries, ascertain the difficulties of the project and fully understand the site. Then our commercial manager and the quantity surveying manager will prepare the tender submission documents and source quotations from subcontractors and/or suppliers to assist on the price determination process.

After completing the preliminary study, we will proceed to prepare a comprehensive set of tender documents mainly including (i) project programme; (ii) method statements and layout plans; (iii) priced bill of quantities or quotations; and (iv) risk assessments of project or specific trades prepared by our safety officer if required. When deciding on the price, our Group will consider the requirements stipulated by our customers with reference to various factors, including (i) the estimated number and types of workers and machinery required; (ii) the nature, scope, complexity and methodology of the project; (iii) the availability of our Group's manpower and resources; and (iv) the prevailing market conditions. Our Directors consider that formulating competitive tenders is essential for us to maintain a satisfactory profit margin of the project. Our commercial manager and quantity surveying manager will then arrange for sending out the tender submission documents upon obtaining approval from our Directors.

Upon receipt of our tenders, our customers may further issue tender enquiries or conduct tender interviews with us in order to clarify the particulars of our submitted tenders before they decide the award of contracts.

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### Construction stage

Once the project is awarded to us, our department of commerce will perform project risk assessment, scope of work check and prepare project programme and specifications of the project. A planning meeting will be conducted among our Directors, our commercial manager, quantity surveying manager and project manager before one to two months of commencement for, among others, (i) reviewing the tender documents; (ii) estimating the required manpower and equipment; (iii) confirming the engagement of subcontractors if so required; (iv) estimating the commencement date and work schedule of the project; and (v) highlighting specific items in the project which require additional attention.

Depending on the scale and complexity of the project, our on-site project team generally comprises a project manager, a site agent, a quantity surveyor, a safety supervisor, a foreman and site workers. The table below sets out the main responsibilities of each key member in a project team:

<b>Position</b>	<b>Responsibilities</b>
Project manager	<ul style="list-style-type: none"><li>(i) the overall supervision of the formwork project;</li><li>(ii) planning of the work procedures;</li><li>(iii) planning of the procurement of formwork materials;</li><li>(iv) selecting the subcontractor and monitoring of the work progress and quality of work of the subcontractor;</li><li>(v) liaising with our customers and their representatives; and</li><li>(vi) attending site meetings to ensure that the quality of our work meets the standard set by our customer.</li></ul>
Site agent	<ul style="list-style-type: none"><li>(i) planning, coordinating and supervising the overall site daily activities and preparing site daily records to properly record the number of workers and the description of works both performed by our direct labour and that of our subcontractors;</li><li>(ii) checking whether the quality of subcontractor's work can meet our Group's standard;</li><li>(iii) carrying out remedial actions or mitigation measures to rectify any non-compliance;</li><li>(iv) liaising with our customers and its representative;</li><li>(v) attending site meetings to ensure that the quality of our work meets the standard set by our customer; and</li></ul>

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- (vi) checking whether our Group has complied with all relevant rules and regulations.
- Quantity surveyor
- (i) budgeting and estimating the measurements in each project;
  - (ii) preparing billing of progress payment invoices to our customer;
  - (iii) calculating and verifying the work done by the subcontractors; and
  - (iv) making valuation of claims and variation orders and assisting in the settlement of final accounts.
- Foreman
- (i) assisting site agents in site management related activities;
  - (ii) carrying out routine inspections on the equipment on-site;
  - (iii) implementing the policies and plans of the construction sites to ensure works are carried out according to contract's specifications; and
  - (iv) coordinating the activities of all staff, subcontractors and resources to achieve project completion within project constraints.
- Safety supervisor
- (i) establishing and maintaining site safety measures for all staff in accordance with the relevant law and regulations;
  - (ii) providing safety trainings to employees of all levels and carrying out site inspections to identify any safety risk to ensure all safety measures are in place;
  - (iii) investigating and reporting the circumstances of any accident or dangerous occurrence in the construction site and giving relevant recommendations to prevent recurrence of similar accidents; and
  - (iv) preparing and submitting weekly safety reports regarding the construction site.

Our project team has to monitor the progress, costs incurred and quality of works in carrying out the contract in order to ensure that both our customer's requirements and the relevant statutory requirements can be met. The project team will also prepare the payment application, based on the amount of works completed on a monthly basis and issue the payment applications to the customers or their representatives for certifying the actual work done under the contract.



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At the same time, our Directors will from time to time discuss with the project team on (i) any risk of delay with reference to the master programme; (ii) any feedbacks from our customers which our Group has to follow; (iii) the work performance of our subcontractors and the quality of construction materials supplied by our suppliers; and (iv) any request for additional manpower or resources from the project team. After the internal meeting with our Directors, our project manager and site agent are usually required to attend the progress meeting to report the project progress to our customers and/or the ultimate employers. If our customers request us to perform additional/variation works, our Directors will consider the customers' requests by taking into account, among others, the scope of works under the original contract, our then available manpower and machineries and the additional fees offered by our customers before accepting and performing the additional/variation works.

Our Group will engage suitable subcontractors and/or procure construction materials if required under the projects. For further details of engagement and procurement of subcontractors and suppliers, please refer to the paragraphs respectively headed "Business – Subcontracting" and "Business – Suppliers" in this prospectus.

Since formwork is generally a temporary structure and most of the formwork panels have to be removed after the concrete has gained adequate strength to withstand by itself, the defect liability period generally applied in construction contracts may not be applicable to contracts with our customers. However, in the course of our works, in particular after the concrete pouring and striking process, we are liable for the remedial works if the concrete structure does not form the desired shape due to the failure of the formwork constructed by us. During the Track Record Period, no material compensation in relation to our quality of works nor liquidated damages had been claimed.

When we have completed the formwork works according to our customers' requirements, our project team will arrange for the handover of the projects with our customers. Our customers will normally inform us of the expected completion date of works within one to two months before actual completion so that we can deploy the manpower to other project sites once handover has completed.

### **Post-construction stage**

If our customers request any defect liability period under a contract, a six-month, 12-month or 24-month defect liability period will commence after the works are completed and our customers are satisfied with the works done. We are liable to any defects of the works identified during such period caused by either defective materials or substandard workmanships. At the same time, if our customers have withhold any retention money under the contract, the customers will release half of the retention money to us upon completion of the works under the contract and to release the remaining half to us after six months, 12 months or 24 months (depending on the terms of individual contracts) after the completion of the works. Meanwhile, our department of commerce is responsible to review the final account of the project issued by individual customers. Our Directors believe that initial disagreements in the final contract sum between customers and us during the preparation of final accounts and negotiation on the final contract sum are common in the construction industry. As such, there may be a time gap between the completion of works and the final completion of the construction project.

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### SUPPLIERS

Major construction materials used by us mainly include timbers, plywood, steel and accessories and aluminium materials. Generally, our customers will provide us with machineries, such as tower cranes and mobile cranes, required for the works. However, if our customers do not provide the required machineries and equipment or our Group considers that having more machineries would be more cost effective, our Group also lease necessary machineries and equipment from our suppliers.

Generally, our customers will specify all their requirements on the materials in the contracts and we will procure the construction materials accordingly. Our project team then decides on the quantity to be ordered and the delivery schedule, based on the site progress and project requirements from time to time. We usually require the suppliers to deliver construction materials to the construction site directly. Owing to the limited space of the construction site, our site agent is responsible for checking the quantity level stored at the construction sites before placing orders to ensure that no duplication of order or excessive purchase of materials would happen.

#### **Selection of suppliers**

Our Group maintains a pre-approved list of suppliers. As at the Latest Practicable Date, our list comprising approximately over 50 suppliers for the supply of construction materials including wood materials, aluminium materials, steel and accessories and accessories of the metal scaffold equipment. During the Track Record Period, none of the suppliers were removed from our pre-approved list of suppliers due to the poor quality of construction materials supplied to us or works performed for us.

#### **Payment terms**

Our suppliers normally issue an invoice to us after the delivery of construction materials on site. The credit periods generally granted by our suppliers to us range from 0 to 60 days from the invoice date, depending on a number of factors mainly including the type of materials purchased, the transaction value and our relationship with the suppliers. We settle the payment in Hong Kong dollars by cheque or bank transfer.

#### **Construction materials costs and our five largest suppliers during the Track Record Period**

We had incurred approximately HK\$37.2 million, HK\$67.0 million, HK\$57.4 million and HK\$73.0 million in the procurement of construction materials for the three years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, respectively, representing approximately 20.4%, 15.3%, 10.9% and 14.7% of our total direct cost for the corresponding periods. The costs incurred from the procurement from our largest supplier, in each financial year/period accounted for approximately 23.5%, 16.7%, 20.1% and 15.8% of our total materials costs for each of the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, respectively, and construction materials and accessories costs incurred from procurement from our five largest suppliers in each financial year/period accounted for approximately 71.6%, 68.4%, 82.8% and 63.0% of our total

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materials costs for each of the three years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, respectively. During the Track Record Period, we had not entered into any long term contracts with any of our suppliers as our Directors believe that the supply of construction materials that we usually use in our projects is stable and sufficient in the market and there is no difficulty in procuring the required construction materials from suppliers for our projects as when required. Although we had not experienced any significant shortage of construction materials causing material disruption to our works, during the Track Record Period, our Directors consider it is getting more difficult to rent metal scaffold equipment. For further details, please refer to the paragraphs headed “Future plans and use of proceeds – Reasons for the Listing – Necessity of having our own machineries and equipment” in this prospectus.

The following tables set forth the profile of our five largest suppliers (excluding our subcontractors) for the three financial years and the nine months ended 31 December 2016 in the Track Record Period:

**For the year ended 31 March 2014:**

Name of supplier	Construction materials cost incurred <i>(approximately HK\$'000)</i>	Approximate percentage to the total materials cost of our Group that year <i>(%)</i>	Principal construction materials provided	The calendar year in which the supplier first started to have business relationship with our Group
Supplier A	8,763	23.5	Wood materials	2006
Supplier B	6,795	18.2	Wood materials	2010
Supplier C	4,513	12.1	Steel and accessories	2006
Supplier D	4,051	10.9	Wood materials	2013
Supplier E	2,564	6.9	Scaffold equipment	2001

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**For the year ended 31 March 2015:**

Name of supplier	Construction materials cost incurred <i>(approximately HK\$'000)</i>	Approximate percentage to the total materials cost of our Group that year <i>(%)</i>	Principal construction materials provided	The calendar year in which the supplier first started to have business relationship with our Group
Supplier A	11,216	16.7	Wood materials	2006
Supplier D	10,812	16.1	Wood materials	2013
Supplier B	10,716	16.0	Wood materials	2010
Supplier F	6,993	10.4	Aluminium materials	2014
King Fu Plastic Products Limited	6,102	9.1	Steel and accessories	2008

**For the year ended 31 March 2016:**

Name of supplier	Construction materials cost incurred <i>(approximately HK\$'000)</i>	Approximate percentage to the total materials cost of our Group that year <i>(%)</i>	Principal construction materials provided	The calendar year in which the supplier first started to have business relationship with our Group
Supplier A	11,506	20.1	Wood materials	2006
Supplier D	11,403	19.8	Wood materials	2013
King Fu Plastic Products Limited	9,344	16.3	Steel and accessories	2008
Supplier F	9,065	15.8	Aluminium materials	2014
Supplier B	6,206	10.8	Wood materials	2010

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**For the nine months ended 31 December 2016:**

Name of supplier	Construction materials cost incurred <i>(approximately HK\$'000)</i>	Approximate percentage to the total materials cost of our Group that period <i>(%)</i>	Principal construction materials provided	The calendar year in which the supplier first started to have business relationship with our Group
Supplier G	11,535	15.8	Aluminium materials	2016
Supplier A	9,745	13.3	Wood materials	2006
Supplier D	9,255	12.7	Wood materials	2013
Supplier H <i>(Note)</i>	8,051	11.0	Aluminium materials	2015
King Fu Plastic Products Limited	7,452	10.2	Steel and accessories	2008

*Note:* Supplier H denotes a company who supplied aluminium materials to our Group and provided subcontracting service to us as Subcontractor I.

### **Relationship with our five largest suppliers during the Track Record Period**

During the Track Record Period, we had purchased mainly steel and accessories from King Fu Plastic Products Limited (“**King Fu**”), which is owned as to 50% by Mr. Tso Kwong Wa and 50% by Ms. Wong Siu Fong, who are the brother and the sister-in-law of Mrs. Leung, respectively. King Fu is therefore regarded as a connected person to the Company pursuant to the Listing Rules. For the particulars of the transaction, please refer to the paragraphs headed “Connected Transactions – Non-exempt continuing connected transactions – 3. Purchase of merchandises from King Fu Plastic Products Limited” in this prospectus for further details.

Save for King Fu, none of our Directors, their respective close associates or any Shareholders (who or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers (excluding our subcontractors) during the Track Record Period. Save for King Fu, all of these five largest suppliers are Independent Third Parties.

### **Inventory control**

If we are responsible for the procurement of construction materials for a particular project, the purchases will be made on an “as required” basis and we would require the suppliers to deliver the construction materials to the work sites directly for use. Our project team plans the delivery schedule ahead and our site agent checks the quantity level stored at

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the construction sites before placing orders to ensure that there is no duplication of order or over purchase due to the limited storage space at our construction sites. As a result, we generally do not keep excess inventory of construction materials. Our Directors consider that the amount of construction materials stored at our construction sites as at 31 March 2014, 2015 and 2016 and 31 December 2016 was insignificant to our Group. Accordingly, the costs of construction materials were accounted as an expense and included in the direct costs in the consolidated statements of profit or loss and other comprehensive income of our Group for the three years ended 31 March 2016 and the nine months ended 31 December 2016.

### **SUBCONTRACTING**

Depending on the specifications of the type of formwork works and the level of our internal resources, we sometimes subcontract part of our works or assign a particular work process in our works to our subcontractors. During the Track Record Period, our subcontracting works include some process in formwork works and facade installation. We generally determine the amount of subcontracting fees based on (i) percentage of the amount of the fees received by our Group in respect of the portion of works being subcontracted; (ii) the amount of labour resources required from our subcontractors; (iii) the nature of works to be performed; and (iv) prevailing market conditions.

Our subcontractors include local individuals, sole proprietors as well as incorporated companies which generally have the available skills and/or manpower to perform the subcontracting works. To control the quality of our subcontractor's work, contract terms between us and our subcontractors would be made similar to the corresponding terms set out in the contracts between us and our customers. Furthermore, we would provide necessary training for our subcontractors and conduct project progress meetings with our subcontractors from time to time in order to ensure that they follow all of our safety and works quality standards.

#### **Major terms with subcontractors**

The terms of our contracts with different subcontractors would vary, depending on the corresponding terms of the contract between our customers and us in order to ensure that our subcontractors would comply with the relevant terms and perform their works in accordance with the specifications under the main contracts.

As our customers engage us on a project-by-project basis, we would engage subcontractors on a project-by-project basis as well and thus, we have not entered into any long-term or standard contract with our subcontractors. The key terms of the subcontracting engagement include pricing, scope of works, time of performance, the insurance coverage to be provided regarding the subcontracted works, the safety requirements for workers provided by the subcontractors and the required qualifications of workers to perform the subcontracted works.

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Our Directors confirm that they are not aware of any instances during the Track Record Period, where our Group's subcontractors had assigned or further subcontracted all or any part of their works to a third party without our prior consent and there were no instances where we had terminated the engagement of our subcontractors.

### **Vicarious liability and control measures**

In general, we are liable to our customers for the performance of our subcontractors under the contracts we entered into with our customers. These include the acts, defaults or negligence of the subcontractors and their employees. Our project manager and site agent will monitor and supervise the work on an on-going basis until the subcontracting work is completed. They also report any unsatisfactory performance by the subcontractors to our Directors directly.

To safeguard us from any possible liabilities arising from health and safety issues, we generally require our subcontractors, in carrying out the subcontract works, to comply with all requirements determined by us relating to health, safety, working hours, noise, nuisance, pollution, the carrying out of construction works and the employment of workers engaged therein. We explain our occupational health and safety measures to subcontractors before commencement of works and monitor their compliance with such measures on an on-going basis at the construction sites.

### **List of our subcontractors**

We maintain a list of pre-approved subcontractors. For any new subcontractor, we will conduct an evaluation in assessing its appropriateness, including (i) the background information; (ii) the quality of product/service; (iii) the prevailing market price; (iv) the available time; (v) the customer service provided; and (vi) the reputation of subcontractor, prior to awarding any subcontract works to such subcontractors. We also evaluate the performance of our subcontractors on a yearly basis.

Our five largest subcontractors during the Track Record Period had business relationships with us with a range of one year to three years. During the Track Record Period and up to the Latest Practicable Date, we maintained over 300 subcontractors on our list of pre-approved subcontractors. To avoid relying on a few subcontractors to perform subcontract works which require specific skills, we generally maintain more than one subcontractor for each area of expertise on our list of pre-approved subcontractors, such as facade works, timber formwork works and metal formwork works. During the Track Record Period, none of the subcontractors had been removed from our list of pre-approved subcontractors due to poor performance in subcontracting works.

### **Subcontracting payment to our subcontractors**

We normally pay our subcontractors on a monthly basis based on the value of the works completed. Each of our subcontractors is required to submit a written request for payment to us every month. Our customers will inspect our work done, including the work done by our subcontractors and an approval form will be issued by our customers for the completed works if our customers are satisfied with the completed works. Once we have

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verified the subcontractor's request against the actual works completed, we would release the relevant portion of the subcontracting amounts, deducting the relevant retention money, if applicable.

The subcontracting fees incurred by us amounted to approximately HK\$24.8 million, HK\$74.1 million, HK\$113.9 million and HK\$114.6 million for each of the three years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, respectively, representing approximately 13.6%, 16.9%, 21.5% and 23.2% of our total direct cost for each of the respective financial years and the nine months ended 31 December 2016. For each of the individual projects, the amount of subcontracting charges payable is largely dependent on the extent of involvement of subcontractors, which is in turn subject to the nature and method of construction works required.

### **Our five largest subcontractors during the Track Record Period**

We will consider and estimate the extent of involvement of our subcontractors and the subcontracting fees when we prepare the relevant tender of each project. Accordingly, our Directors believe that slight fluctuation of subcontracting fees, if any, will not have a material impact to our Group's financial performance. The subcontracting fees paid to our largest subcontractor for each financial year/period accounted for approximately 13.0%, 10.4%, 21.8% and 24.6% of our total subcontracting fee for each of the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, respectively, while the subcontracting fee paid to our five largest subcontractors for each financial year/period accounted for approximately 43.2%, 25.2%, 35.8% and 46.4% of our total subcontracting fee for each of the corresponding financial years and the nine months ended 31 December 2016. Our Directors consider that there are sufficient subcontractors in the market which are suitable for us to delegate some of our works. As we had over 300 subcontractors on our list of pre-approved subcontractors as at the Latest Practicable Date, our Directors believe that we are able to engage alternative subcontractors to take up part of our works as when needed.



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The following tables set forth the profiles of our five largest subcontractors for the three financial years and the nine months ended 31 December 2016 in the Track Record Period:

**For the year ended 31 March 2014:**

Name of subcontractor	Subcontracting fee incurred <i>(approximately HK\$'000)</i>	Approximate percentage to the subcontracting fee of our Group for that year <i>(%)</i>	Principal services provided	The calendar year in which the subcontractor first started to have business relationship with our Group
Subcontractor A	3,222	13.0	Formwork works	2013
Subcontractor B	3,139	12.6	Formwork works	2013
Subcontractor C <i>(Note)</i>	1,676	6.7	Formwork works	2013
Subcontractor D	1,531	6.2	Formwork works	2013
Subcontractor E	1,161	4.7	Formwork works	2013

*Note:* Subcontractor C denotes a subcontractor who provided services to our Group in the capacity of a local individual and a sole proprietor during the Track Record Period.

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**For the year ended 31 March 2015:**

Name of subcontractor	Subcontracting fee incurred <i>(approximately HK\$'000)</i>	Approximate percentage to the subcontracting fee of our Group for that year <i>(%)</i>	Principal services provided	The calendar year in which the subcontractor first started to have business relationship with our Group
Subcontractor F	7,739	10.4	Formwork works	2014
Subcontractor A	5,291	7.1	Formwork works	2013
Subcontractor C <i>(Note)</i>	2,085	2.8	Formwork works	2013
Subcontractor G	1,923	2.6	Formwork works and facade installation works	2014
Subcontractor H	1,682	2.3	Formwork works	2013

*Note:* Subcontractor C denotes a subcontractor who provided services to our Group in the capacity of a local individual and a sole proprietor during the Track Record Period.

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**For the year ended 31 March 2016:**

Name of subcontractor	Subcontracting fee incurred <i>(approximately HK\$'000)</i>	Approximate percentage to the subcontracting fee of our Group for that year <i>(%)</i>	Principal services provided	The calendar year in which the subcontractor first started to have business relationship with our Group
Subcontractor F	24,788	21.8	Formwork works	2014
Subcontractor I <i>(Note 1)</i>	4,439	3.9	Formwork works	2015
Subcontractor J <i>(Note 2)</i>	4,160	3.6	Formwork works	2015
Subcontractor K	3,875	3.4	Formwork works	2015
Subcontractor A	3,551	3.1	Formwork works	2013

*Notes:*

- (1) Subcontractor I denotes a company who provided services to our Group as a subcontractor and supplied aluminium materials to us as supplier H.
- (2) Subcontractor J denotes a subcontractor who provided services to our Group in the capacity of a local individual and a sole proprietor during the Track Record Period.

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For the nine months ended 31 December 2016:

Name of subcontractor	Subcontracting fee incurred (approximately HK\$'000)	Approximate percentage to the subcontracting fee of our Group for that period (%)	Principal services provided	The calendar year in which the subcontractor first started to have business relationship with our Group
Subcontractor F <sup>(Note)</sup>	28,156	24.6	Formwork works	2014
Subcontractor L	9,958	8.7	Formwork works	2015
Subcontractor M	5,808	5.1	Formwork works	2015
Subcontractor K	4,731	4.1	Formwork works	2015
Subcontractor N	4,477	3.9	Formwork works	2016

*Note:* Subcontractor F represents two entities which were ultimately controlled by the same shareholder.

### Relationship with our five largest subcontractors during the Track Record Period

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

### MACHINERY

Generally, our customers will provide us with machineries, such as tower cranes, required in the works. However, if our customers do not provide the required machineries or our Group considers that having more machineries would be more cost-effective in carrying our formwork works, our Group will also lease necessary machineries and equipment from third party machinery and equipment providers. As such, during the Track Record Period and up to the Latest Practicable Date, our Group did not own any machinery.

### QUALITY ASSURANCE

#### Quality control on carrying out of works in the projects

Our Group places strong emphasis on construction site management. Hence, different job duties are assigned to our staff to ensure the quality of our works. Please refer to the paragraph headed "Business – Our operations – Construction stage" in this prospectus for

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the main responsibilities of each key member in our project team. In particular, the project manager and the site agent of each construction site are responsible for monitoring the quality of the works undertaken by our own workforce and our subcontractors.

Nevertheless, our Directors and senior management also closely monitor the quality of works by (i) frequent inspections of the construction sites and the works carried out therein; and (ii) regular communications with each of our project teams.

### **Quality control on construction materials**

With regard to construction materials, we generally procure construction materials from the list of our pre-approved suppliers with whom we have satisfactory past business relationships for supply of quality construction materials. Please refer to the paragraphs headed “Business – Suppliers – Selection of suppliers” in this prospectus for the details of our pre-approved list of suppliers.

Our Group puts strong emphasis on the construction materials for the formwork system. For projects adopting timber formwork, before ordering of the timber or plywood, we will request our suppliers to provide us with certificates to certify the place of origin of the wood, in particular when it is under the contractual requirements of our customer that wood products from sustainable sources should be adopted in the construction project. Our Group will then request our suppliers to provide us with certificates from certain international institutions such as Forest Stewardship Council and the American Forest and Paper Association.

For projects adopting aluminium formwork design, our Group will usually be responsible for the supply of the construction materials necessary for the formwork works. As such, before arranging for the delivery of the construction materials to sites, our Group will negotiate with the respective supplier and arrange an at-factory mock-up installation, usually of one typical floor of the building, to demonstrate the formwork system to parties involved in the project including employers’ representatives, our customers’ representatives and our staff. The at-factory mock-up installation usually takes place before the delivery of the formwork materials to construction sites to allow all parties to have the final adjustments and ensure the output is in line with the original design.

For all other formwork materials and other construction materials, our Group will count and reconcile against the delivery note and inspect the quality of construction materials upon receipt.

### **Quality control system**

Leung Pui, our major operating subsidiary, obtained the accreditation of ISO 9001:2008 since 2015 and the said certification was migrated to our Company since 2016. The applications for ISO 9001:2008 certification were initiated by us to maintain a well-established quality management system for our Group. The relevant criteria and requirements for obtaining ISO 9001:2008 certification include, among others:

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- developing and implementing a quality assurance manual which is consistent with the spirit of the ISO 9001 standard and suits our own businesses; and
- engaging a certification body accredited by the Hong Kong Accreditation Service of the Innovation and Technology Commission of the Government to review the implementation of the quality assurance manual to its satisfaction.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaint or request for any kind of compensation from our customers due to or in relation to the quality of the construction materials used by us and works performed by us or by our subcontractors.

### OCCUPATIONAL HEALTH AND SAFETY

Our Group is committed to providing our employees and subcontractors with a safe and healthy working environment. We have established a safety and health management and audit system in accordance with the requirements of OHSAS 18001:2007 where Leung Pui was granted the OHSAS 18001:2007 certification in 2015 and the said certification was migrated to our Company since 2016.

We document our safety plan in writing, which is conveyed to our employees and subcontractors before commencement of works in any project. We also give instructions and provide trainings to our staff working at the construction sites and demonstrations of safety measures to our own employees and those of our subcontractors from time to time. As at the Latest Practicable Date, our safety department had 15 employees, including three qualified safety officers approved by the Labour Department in Hong Kong, 12 safety supervisors, to monitor and implement our safety plan. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce our risks related to safety issues.

Our safety plan adopted and used during the Track Record Period sets out work safety measures to prevent common accidents which are foreseeable to happen at construction sites. We set forth below a summary of the particulars therein:

<b>Categories</b>	<b>Safety measures and requirements undertaken</b>
Personal protection equipment	<ul style="list-style-type: none"><li>● All people enter our construction sites shall wear a suitable safety helmet, safety shoes and holding a valid Certificate for Mandatory Basic Safety Training Course for Construction Industry (commonly known as the “<b>Green Card</b>”).</li><li>● Hearing protective equipment such as ear muff or ear plug shall be worn when working at noisy environment and safety belts or safety harnesses should be used with lifelines or attached to anchorage points whenever working at height.</li></ul>

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| Wood cutting by bench circular saw | <ul style="list-style-type: none"><li>● Circular saw shall only be operated by persons who are competent for the purpose.</li><li>● Emergency stop and fire extinguisher of the circular saw shall be maintained in good condition and easily identified by the workers.</li><li>● Proper adjustment of the adjustable top guard, which is a safety device of the circular saw, shall be made before work is started.</li><li>● Push-stick shall be used to prevent the worker's hands from being too close to the saw.</li><li>● The workshop shall be kept clean, passageway must be free from obstruction and a suitable place must be provided for storing wood and the finished products.</li></ul> |
| Preventing manual handling risk    | <ul style="list-style-type: none"><li>● Safety supervisor shall carry out assessment for mechanical/manual lifting activities.</li><li>● Where necessary, modify methods for the handling of scaffolding brackets and other mid-platform components to eliminate or minimise the risk of musculoskeletal disorders.</li><li>● Provide sufficient working space and headroom during operations so that workers can move through the structure without having to stoop to avoid hitting their heads.</li><li>● Safety supervisor shall request the workers to have medical check if he/she finds the worker is not physically or medically fit for manual materials handling.</li></ul>                    |
| Preventing falls                   | <ul style="list-style-type: none"><li>● Safety supervisor shall remind the risks in association with working in height to workers in every morning briefing.</li><li>● Provide systems such as guardrails, toeboards, screens and flaps inside and outside the structure.</li><li>● Sufficient overlap of scaffold planks at each hanger bracket of the working platform.</li></ul>  |

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In addition, under the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) (“**Safety Management Regulation**”), any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in one or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. During the Track Record Period, our Group appointed registered safety auditors to conduct several safety audits on Leung Pui and the respective projects undertaken by it as required under the Safety Management Regulation. These audits revealed that the safety management system adopted by our Group was in compliance with the requirements under the Safety Management Regulation.

### **Accidents during the Track Record Period and up to the Latest Practicable Date**

Although our Group has implemented a safety plan to mitigate safety risks, the occurrence of accidents at construction sites cannot be completely eliminated due to the work nature in the construction industry. During the Track Record Period and up to the Latest Practicable Date, we recorded 107 accidents which gave rise or may give rise to potential employees’ compensation claims and personal injury claims, involving 13, 15, 30, 21 and 28 workers who were employed by our Group.

The table sets forth the nature of the 107 accidents occurred during the Track Record Period and up to the Latest Practicable Date:–

<b>Nature of accident</b>	<b>Number of accidents</b>
1 Trapped in or between objects	3
2 Injured whilst lifting or carrying	8
3 Slip, trip or fall on the same level	29
4 Fall of person from height	8
5 Striking against fixed, stationary or moving object	27
6 Stepping on object	4
7 Trapped by collapsing or overturning object	1
8 Struck by moving or falling object	7
9 Contact with moving machinery or object being machined	11
10 Others	9
Total	<u>107</u>

Injured workers may claim against us pursuant to the Employees’ Compensation Ordinance and/or common law. With respect to injuries where the injured workers have only made an employees’ compensation claim, the compensation paid to the injured workers under the Employees’ Compensation Ordinance would not exempt our liabilities under common law. Pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the limitation period for making a claim for personal injury under common law is three years from the date of the relevant accident. As such, it is still possible for the injured



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worker to institute claims against us under common law provided that the limitation period had not yet expired as at the Latest Practicable Date. On the other hand, the compensation paid to such injured worker, if any, would be reduced and off-set by the compensation already paid to the worker under the Employees' Compensation Ordinance.

As at the Latest Practicable Date, out of the 107 accidents mentioned above, there were (i) 39 accidents in respect of which employees' compensation claims with an aggregate settlement amount of approximately HK\$8.4 million were settled and paid by the insurers under the relevant insurance policy taken out by the relevant main contractors; (ii) eight accidents in respect of which, to the best knowledge of our Directors, the employees' compensation claims and/or common law claims were fully settled by the respective main contractor or insurance company; (iii) three accidents in respect of which summons had been received and legal proceedings for employees' compensation claims were commenced and outstanding; and (iv) 57 accidents in respect of which the injured persons have not yet filed any claims or commenced legal proceedings against our Group or the injured persons are still receiving periodical payments.

For further details of outstanding litigation and potential claims relating to employees' compensation claims under Employees' Compensation Ordinance or personal injuries claims under common law, please refer to the paragraph headed "Business – Litigation and potential claims" in this prospectus.

Despite the above, our Directors, after seeking legal advice from our Legal Counsel, confirm that our liabilities for causing injuries to our employees or the employees of our subcontractors in Hong Kong would be sufficiently covered by the insurance maintained either by the main contractor of the relevant project and/or indemnified by our Controlling Shareholders, whether the claims are made under the Employees' Compensation Ordinance and/or at common law in Hong Kong.

In the event of any industrial accidents resulting in injury to any person, we require our workers or employees of our subcontractors to report any accident to us in the first instance for our onward reporting to the main contractors. Our site agent will first record and preliminarily investigate the accident on, including the date, time, location, the resulted injuries and the interviews with witnesses (if any). Such a record will then be passed to our safety officer or our safety supervisor. Our safety officer will prepare an accident investigation report and communicate with our customers for following up with their insurers in relation to the cause of the accident, the compensation arrangement under agreed insurance policy for the project and the improvement plans to enhance work safety environment in the future. Depending on the needs of our customers, our safety officer or safety supervisor may assist our customers to prepare the necessary form(s) to Labour Department in respect of any claim for employee compensation accordingly.

**Enhanced safety measures adopted by our Group**

Taking into account the nature of the formwork works, which is mainly labour intensive and have to be carried out outdoor and at height, our Group has adopted the following enhanced safety measures to prevent future accidents and protect the employees of our Group and subcontractors:

- (i) conducting OHSAS 18001: 2007 audit to ensure the full implementation of our Group's safety policy;
- (ii) establishing the induction scheme pursuant to which new construction workers will have an induction safety training within the first two days in the respective construction site to be equipped with adequate knowledge with regard to safety and their work and/or relevant risk and hazard on work site;
- (iii) providing sponsorship for our employees to attend seminars and training sessions with respect to safety and skills development;
- (iv) arranging tool box talks with construction workers after the occurrence of industrial accidents, pursuant to which workers are allowed to express their opinion in relation to the safety topics in the respective tool box talks;
- (v) setting up a safety committee at the corporate level, having the function of identifying, recommending and keeping under review measures to improve the safety and health of the workers;
- (vi) conducting random site inspections by our external safety consultant which imminent danger identified will be suspended by our site agent;
- (vii) promoting workers' safety awareness in manual lifting; against fall from height and falling object; and to prevent slip and trip and improving on site cleanliness and tidiness; and
- (viii) setting up a drill program with the execution of emergency drill from time to time to keep workers' safety awareness.

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### Accident rates

The table comparing the construction industry average accident and fatality rate against our Group on the basis of accident rate per 1,000 workers and fatality rate per 1,000 workers is set out below:

	<b>In construction industry (Note 1)</b>	<b>Our Group's construction Sites (Note 2)</b>
<b>Calendar year 2013</b>		
accident rate per 1,000 workers	40.8	27.4
fatality rate per 1,000 workers	0.277	–
<b>Calendar year 2014</b>		
accident rate per 1,000 workers	41.9	20.0
fatality rate per 1,000 workers	0.242	–
<b>Calendar year 2015</b>		
accident rate per 1,000 workers	39.1	25.4
fatality rate per 1,000 workers	0.2	–
<b>Calendar year 2016</b>		
accident rate per 1,000 workers	N/A (Note 3)	22.7
fatality rate per 1,000 workers	N/A (Note 3)	–

*Notes:*

- (1) Figures based on Occupational Safety and Health Statistics Bulletin No. 16 (August 2016) published by Occupational Safety and Health Branch of Labour Department, pursuant to which the accident rate is calculated as the occurrence of industrial accidents during the year divided by the employment size based on the Quarterly Report of Employment and Vacancies Statistics published by the Census and Statistics Department.
- (2) Our Group's accident rate is calculated as the occurrence of industrial accidents during the year divided by the daily average construction site workers (including both employees of our Group and subcontractors) in our construction sites during the year.
- (3) Relevant data has not been published as at the Latest Practicable Date.

A table showing our Group's lost time injuries frequency rates ("LTIFR(s)") is set out below:

Calendar year 2013	10.3
Calendar year 2014	7.5
Calendar year 2015	9.6
Calendar year 2016	8.5

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*Notes:*

- (1) LTIFR is a frequency rate that shows the amount of lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the total labour hours worked per year to divide the number of reportable cases and multiply by 1,000,000. It is assumed that the working hour of each worker is 9 hours per day. The number of working days for each of the calendar years 2013, 2014, 2015 and 2016 were approximately 295 days, 296 days, 295 days and 297 days respectively.
- (2) Our Directors confirm that there is no public information in relation to the average LTIFRs of the construction industry in Hong Kong.

Based on the above information, our Directors believe that the accident rates at the construction sites of our Group during the Track Record Period were lower than the industry average and there are no material deficiencies in the adequacy and effectiveness of our Group's safety measures. Furthermore, during the Track Record Period, our Group recorded no fatal injuries at our construction sites. 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 related to safety issues.

### **External Safety Consultant**

To further enhance our employees' awareness in work safety, in December 2015, we engaged an external safety consultant to advise us on our general safety policy. The external safety consultant is a chartered member of the Institution of Occupational Safety and Health of the United Kingdom and a Registered Safety Officer from Labour Department. The external safety consultant reviewed our existing health, safety and environmental management system. Based on the satisfactory standard achieved by the commitment of top management, the mandatory safety management audit questionnaire version 3.0 was used to assist the review and an average score of over 70% was attained, which reflected a satisfactory achievement of the occupational safety and health and management system and operational control of our Group.

Furthermore, we have requested our external safety consultant to (i) provide us with periodic safety consultancy service including training to Directors and senior management; (ii) conduct weekly safety inspection with our safety officer and attend monthly safety committee meeting; (iii) conduct safety review and safety audit services under legislation requirements; (iv) carry out risk assessment for specific high risk activities or operation; (v) act as court case coordinator, if necessary; and (vi) continuously monitor our safety management system. The external safety consultant also assists our Company to (a) enhance our integrated management system in respect of the existing quality, environment management and safety system; and (b) migrate Leung Pui's certifications of ISO9001:2008, ISO14001:2004 and OHSAS 18001:2007 to the Company through surveillance audit.

Having considered (i) our continuous compliance of the requirements of the safety management system under the Safety Management Regulation; (ii) the adoption of safety policy and enhanced safety measures to prevent accidents; and (iii) the engagement of the external safety consultant, our Directors believe that we have maintained adequate safety measures for the occupational safety and health of our workers.

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### ENVIRONMENTAL COMPLIANCE

Our Group is committed to environment protection by conducting our business in an environmentally responsible manner. We aim to prevent pollutions, reduce waste and enhance waste recycling from our operation through implementing an environmental management system, which would comply with ISO 14001:2004 requirements. Leung Pui was granted the ISO 14001: 2004 certification in 2015 and the said certification was migrated to our Company since 2016.

During the Track Record Period, the aggregate annual costs incurred by our Group for compliance with applicable environmental laws and regulations in Hong Kong and requirements for customers to fulfil environmental obligation for green buildings accreditation was approximately HK\$0.1 million, HK\$0.4 million, HK\$0.9 million and HK\$0.4 million, respectively, and was mainly attributable to the transportation cost on wood disposal. During the Track Record Period, our Group had not been prosecuted by any Governmental authority for breaching any applicable environmental laws and regulations relating to environmental protection.

### INSURANCE

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers are, subject to section 40(1B) of the Employees' Compensation Ordinance, 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. We have obtained insurance cover in accordance with such requirement.

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

Where a main contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As a subcontractor, our Group's liability in respect of the claims from employees of our Group and our Group's subcontractors arising out of and in the course of their employment will be covered by the insurance policy taken out by the relevant main contractor.

Based on the views of our Legal Counsel, our Directors confirmed that during the Track Record Period, all our projects were covered and protected by the employees' compensation insurance and contractor's all risks insurance taken out by the main contractor for the entire construction project. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site, and the works performed by them in the relevant construction site.

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### **Insurance coverage maintained by our Group**

We have maintained the insurance coverage against general office risks including loss or damage to our office contents and any bodily injury occurring in our office premises. Certain types of risks, such as the risk in relation to the collectability of our trade and retention money receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to the paragraph headed “Risk factors – Risks relating to our business – Our Group’s operation may be affected by inclement weather conditions and are subject to other construction risks” in this prospectus for details.

Our Directors consider that our insurance coverage is adequate and consistent with industry norm regarding our current scope of operations. During the Track Record and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

### **MARKET AND COMPETITION**

According to the IPSOS Report, construction industry has been a main driver of Hong Kong’s economic growth since 1997. The construction industry accounted for about 3.3% to about 4.7% of the total gross domestic product (GDP) in Hong Kong from 2010 to 2015. The demand for infrastructure, residential and commercial development is expected to maintain the growth of the construction industry in Hong Kong. In 2016, the total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong was approximately HK\$187.8 billion, of which approximately 19.9% was the gross output value of construction works performed by subcontractors.

For the formwork works industry, the gross output value of formwork works in Hong Kong increased from approximately HK\$2,541.7 million in 2011 to approximately HK\$4,994.2 million in 2015. Our Group contributed approximately 9.3% of the total revenue of HK\$4,994.2 million in the calendar year of 2015. For further details on the overall construction industry in Hong Kong as well as the formwork works industry, including the maturity and size, market trends and prospects, please refer to the section headed “Industry overview” in this prospectus.

Our Directors consider that there are a number of market entry barriers to the construction industry (in particular, the formwork works industry) in Hong Kong, which hinder new player entries. Such entry barriers mainly include (i) insufficient proven practical industry experience of new players; and (ii) lack of reputation of new players. Details of the entry barriers are set out in the paragraph headed “Industry overview – Competitive landscape – Entry barriers” in this prospectus.

Our Directors believe that our competitive strengths will enable us to maintain our position as one of the active market players in our business segments in the construction industry in Hong Kong. Our competitive strengths in this respect include the following:

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- our long operation history and proven track record;
- our experienced and professional project management teams and in-house site staff; and
- our stringent quality assurance system and strong commitment to quality of works, safety, occupational health and environmental management.

Details of our Group's competitive strengths are set out in the section headed "Business – Competitive strengths" in this prospectus.

### SEASONALITY

Our Directors believe that the construction industry in which we operate does not exhibit any significant seasonality.

### LICENCES AND PERMITS

When we undertake subcontracting works for construction projects, if the main contractors hold all the required registrations for a project, we are not required to hold the same registration as the main contractor. However, in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics, the Construction Industry Council has introduced a registration scheme for subcontractors taking part in building and engineering works. The Airport Authority, Development Bureau, Housing Authority and some private organisations are in support of the scheme. As a result, for their projects, main contractors will be required to engage registered subcontractors for carrying out their subcontract works.

To enhance the recognition as an active partner in the construction industry, Leung Pui, one of our operating subsidiaries, has been registered with the Construction Industry Council under the scheme, details of which are as follows:

Registration	Trade(s)	Specialty(ies)	Granted by	Granted to	Date of registration	Date of next renewal
Registered subcontractor	Concreting formwork	Timber formwork	Construction Industry Council	Leung Pui	November 2014	November 2018
Registered subcontractor	Scaffolding	Metal scaffolding	Construction Industry Council	Leung Pui	November 2014	November 2018
Registered subcontractor	Concreting formwork	Metal/system formwork	Construction Industry Council	Leung Pui	March 2017	November 2018

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Renewal of the aforementioned registrations is required every two years. As we had not experienced any complaint or regulatory action brought by the Construction Industry Council against us during the Track Record Period and up to the Latest Practicable Date, our Directors believe that we should not encounter any difficulties in obtaining the renewal of any registrations in the future.

Our Directors, upon obtaining legal advice, confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained and held all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong, and that all of them remain in force.

### MAJOR CERTIFICATIONS

In recognition of our outstanding performance and quality of work, our Group has received the following certificates from professional accreditation organisations:–

Nature	Certification	Holder <sup>(Note)</sup>	Year of grant
Environmental management system accreditation	ISO14001:2004	Leung Pui <sup>(Note 1)</sup>	2015
		the Company <sup>(Note 2)</sup>	2016
Occupational health & safety management system accreditation	OHSAS 18001:2007	Leung Pui <sup>(Note 1)</sup>	2015
		the Company <sup>(Note 2)</sup>	2016
Quality management system accreditation	ISO9001:2008	Leung Pui <sup>(Note 1)</sup>	2015
		the Company <sup>(Note 2)</sup>	2016

*Notes:*

- In 2015, the scope covers the design, supply, erection, maintaining and striking of timber and metal formwork/falsework to building and construction works in Hong Kong.
- The certifications were migrated to our Company since 2016 and the scope covers the provision of formwork erection works. The certifications are no longer being held by Leung Pui after the migration.

Each of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certification currently carries a duration of three years, within which period surveillance audit is conducted by the certification body every year to review the implementation of the relevant systems for compliance. After this three-year period, each of the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certification are to be further certified subject to successful implementation of a renewal audit by the certification bodies.



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### Recognitions and Awards

The following table sets out our major non-recurring awards and recognitions obtained by us and our staff during the Track Record Period and up to the Latest Practicable Date:

<b>Year of award</b>	<b>Nature</b>	<b>Recipient</b>	<b>Award</b>	<b>Awarding organisation or authority</b>
2014	Safety	Three safety supervisors of Leung Pui	Appointment as site safety ambassador	Sanfield (Management) Limited
2014	Safety	A site worker of Leung Pui	Site safety model worker award (May 2014)	Chun Fai Construction Company Limited
2014	Safety	A site worker of Leung Pui	Site safety model worker award (August 2014)	Chun Fai Construction Company Limited
2015	Safety	A safety supervisor of Leung Pui	Appointment as site safety ambassador	Sanfield (Management) Limited
2016	Safety	Leung Pui	The best safety performance subcontractor (January 2016)	Yee Fai Construction Company Limited
2016	Safety	A site worker of Leung Pui	Site safety model worker award (January 2016)	Architectural Services Department and Chevalier (Construction) Company Limited
2016	Safety	A site worker of Leung Pui	The best safety performance worker (May 2016)	Yee Fai Construction Company Limited
2016	Safety	A safety supervisor of Leung Pui	8th safety hero award	Gammon Engineering & Construction Company Limited

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### EMPLOYEES

#### Number of employees

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 December 2016	As at the Latest Practicable Date
Directors (of our Group)	2	2	2	4	4
Administration, accounting and finance	4	5	6	6	6
Project supervision and site administration	5	6	8	12	12
Procurement	2	4	4	4	4
Commercial (including contract managers and quantity surveying staff)	9	11	14	12	11
Safety and environmental Project operation (including engineer and direct site workers)	7	10	11	15	15
	<u>598</u>	<u>1,052</u>	<u>919</u>	<u>1,643</u>	<u>1,124</u>
Total	<u><u>627</u></u>	<u><u>1,090</u></u>	<u><u>964</u></u>	<u><u>1,696</u></u>	<u><u>1,176</u></u>

The fluctuation in the number of our staff members as at 31 March 2014, 2015, 2016 and 31 December 2016 and the Latest Practicable Date was mainly attributable to (i) the increase of operation scale of our Group and (ii) the corresponding fluctuation of our project operation staff which mainly consists of our direct site workers.

As at 31 March 2015, the number of our staff increased to 1,090 from 627 as at 31 March 2014. The increase was mainly attributable to the increase of the operation scale of our Group whereby our Group had to recruit more staff members to cope with our business growth. In particular, Project 8, Project 17 and Project 22, which relevant construction works had commenced in the year ended 31 March 2014, were in full swing in the year ended 31 March 2015.

As at 31 March 2016, the number of our staff decreased to 964 from 1,090 as at 31 March 2015. The decrease was mainly attributable to our completion of sizable projects, namely Project 16 and Project 22 in March 2016 respectively while the commencement of our sizable new projects, namely Project 49 was scheduled in July 2016.

As at 31 December 2016 and the Latest Practicable Date, the number of our staff increased to 1,696 and 1,176 respectively. The increase was mainly attributable to the commencement of our new projects subsequent to 31 March 2016, including Project 41 and Project 49 which were sizable projects commenced in May 2016 and June 2016, respectively.

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### **Relationship with staff**

Our Directors consider that we have maintained good relationships with our employees. We had not experienced any significant problems with our employees or any disruptions to our operations due to labour disputes nor had we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and up to the Latest Practicable Date.

### **TRAINING AND RECRUITMENT POLICIES**

We generally recruit our employees from the open market or via internal referral. We place recruitment advertisements and participate in job fairs for recruitment purpose.

We provide various trainings, including those on occupation health and work safety to our employees to improve their technical competence, knowledge of construction regulatory requirement and it is our Directors' intention to nourish talents and strengthen their loyalty through sponsoring them with necessary training.

### **Remuneration policy**

We entered into separate labour contract with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration package of our Group offers to our employees includes salary, bonuses and allowances. In general, we determine employee salaries based on each employee's qualifications, experience and capability and the prevailing market remuneration rate. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions. For some in-house site staff, our Group employs them as daily workers and their remuneration package includes salary only. Our staff costs and our Directors' remuneration amounted to approximately HK\$114.9 million, HK\$275.0 million, HK\$342.5 million and HK\$299.0 million for each of the three years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, respectively.

### **LITIGATION AND POTENTIAL CLAIMS**

During the Track Record Period and up to the Latest Practicable Date, our Group had been involved in a number of claims and litigations. Set out below is a summary of the major outstanding litigations and potential claims against our Group as at the Latest Practicable Date arising in the ordinary and usual course of our business.

#### **(I) Outstanding employee's compensation claims and personal injury claims as at the Latest Practicable Date**

As at the Latest Practicable Date, there were three outstanding employee's compensation claims, legal proceedings in relation which had commenced. All the outstanding claims are related to accidents occurred during the Track Record Period. As at the Latest Practicable Date, we have no outstanding personal injury claim.

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The table below sets out the nature of the three accidents leading to the above outstanding employee's compensation claims:

<b>Nature of accident</b>	<b>Number of accident</b>
Slip, trip or fall on same level	2
Fall of person from height	<u>1</u>
<b>Total</b>	<b><u><u>3</u></u></b>

In respect of the above three outstanding claims:

- (i) as the outstanding claims are being dealt with and handled by the main contractors' insurers and their appointed solicitors, our Group did not incur substantial legal expenses associated with the employee's compensation claims as such legal expenses will be covered by the insurance taken out by the main contractors;
- (ii) our Group was joined as a defendant/respondent in the capacity as a subcontractor in all three accidents. The relevant main contractors were co-defendants/respondents in the capacity as main contractors in all three accidents;
- (iii) the current status are as follows:

<b>Status of accident</b>	<b>Number of accident</b>
The EC Claims filed by the relevant injured persons were settled by insurers up to the Latest Practicable Date, while the PI Claims remained outstanding as at the Latest Practicable Date	–
The EC Claims filed by the relevant injured persons remained outstanding and the injured persons may still bring PI Claims as at the Latest Practicable Date	<u>3</u>
	<b><u><u>3</u></u></b>

Our Directors are of the view that occurrence of personal injuries is not uncommon in the construction industry. After obtaining legal advice from our Legal Counsel, our Directors confirm that all such claims (including employees' compensation claims and personal injury claims) are well covered by insurance and/or indemnified by our Controlling Shareholders and would not result in any material impact on the financial position or results and operations of our Group.

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### (II) Outstanding criminal litigation as at the Latest Practicable Date

As at the Latest Practicable Date, our Group was subject to the following criminal litigations as set out below:

<b>Name of subsidiary</b>	<b>Particulars of the charges</b>	<b>Status</b>	<b>Relevant laws and Regulations</b>	<b>Potential consequence and maximum penalties</b>
Leung Pui	On 25 July 2016, Leung Pui was charged by the Labour Department for its alleged failure to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of 2 metres or more.	On going. Trials to be held on 14 June 2017, 15 June 2017 and 16 June 2017.	Regulations 38B(1A), 68(1)(a) and 68 (2)(g) of Construction Sites (Safety) Regulations	<p>The maximum penalty for the breach of Regulations 38B (1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations is a fine of HK\$200,000 and imprisonment for 12 months for non-compliance without reasonable excuse, and in any other case to a maximum fine of HK\$200,000.</p> <p>As advised by our Legal Counsel, based on the experience and knowledge of our Legal Counsel and the previous convictions of Leung Pui, the likelihood of the maximum penalty being imposed is not high and a fair estimate of the likely penalty would be a fine of HK\$50,000 if Leung Pui is found liable.</p>

In view of the amount of the likely penalty of the above-mentioned incidents of non-compliance, our Directors consider that no provision is necessary to be made.

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### (III) Potential employees' compensation claims and personal injuries claims as at the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, our Group recorded 107 personal injury accidents. The current settlement status of the 107 accidents are as follows:-

Status of the accidents		No. of the accidents
Settled accidents <sup>(note 1)</sup>	Number of the accidents which the relevant injured persons have filed employees' compensation claims and/or personal injury claims, and the claims have been settled/concluded	8
	Number of the accidents which the amount assessed by Form 5 <sup>(note 2)</sup> has been paid to the relevant injured persons or settled by agreements and no claim/legal proceeding has been commenced by the injured persons	39
Unsettled/on-going accidents	Number of accidents which the injured persons have filed employees' compensation claims and the claims remained outstanding	3
	Number of accidents which the injured persons have not yet filed any claims or commenced legal proceedings against our Group	57
<b>Total</b>		107

*Notes:*

1. All the settled accidents were paid by the respective main contractors or their insurance companies.
2. the Certificate of Compensation Assessment issued by the Commissioner of Labour stating the amount of compensation payable by the employer to the employee.

Beside the settled accidents and the accidents which the employees' compensation claims remained outstanding, all injured persons may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant accidents. All injured persons have not suffered serious bodily injuries and to the best knowledge of our Directors, all the potential claims will have no material financial and operational impact on our Group. Since no civil action has commenced, the claims, when filed, will be handled by solicitors appointed by the main contractors' insurers. We are not in a position to assess the likely quantum of such potential claims. As it is the obligations of the relevant main contractors in

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project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites, based on the view of our Legal Counsel, our Directors confirmed that all the potential personal injury claims and potential employees' compensation claims will be well covered by the insurance maintained by the relevant main contractors and/or indemnified by our Controlling Shareholders.

As at the Latest Practicable date, save as disclosed above, after making all reasonable enquiries, our Directors are not aware of any current, pending or threatened litigation, claim of arbitration against our Group which could have a material adverse effect on our financial condition or results of operations.

### NON-COMPLIANCE

#### Non-compliance matters of our Group during the Track Record Period and up to the Latest Practicable Date

##### 1. Safety and health-related non-compliance

During the Track Record Period and up to the Latest Practicable Date, we were convicted to the offences under the following safety and health-related laws and regulations as set out below.

Name of subsidiary	Date of non-compliance incident	Incident of non-compliance	Relevant laws and regulations	Penalty imposed
Mastery	22 September 2012	The Labour Department alleged that Mastery failed to provide such information, instruction, training and supervision as was necessary to ensure, so far as was reasonably practicable, the health and safety at work of employee	Section 6A(1), 6A(2)(c) and 6A(3) of Factories and Industrial Undertakings Ordinance, Cap.59	HK\$20,000
Leung Pui	17 December 2015	The Labour Department, during the routine inspections, alleged that Leung Pui (a) failed to take adequate steps to prevent a person on the site from falling from a height of 2 meters or more; and	(a) Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	(a) HK\$7,000

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Name of subsidiary	Date of non-compliance incident	Incident of non-compliance	Relevant laws and regulations	Penalty imposed
		(b) failed to ensure suitable and adequate safe access to and egress from place of work on the site is provided and properly maintained	(b) Regulations 38AA(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	(b) HK\$5,000
Leung Pui	12 March 2016	Labour Department alleged that Leung Pui failed to ensure that safety audits were conducted not later than 6 months after the last safety audit report was submitted	Regulations 13(2)(a) and 34(2) of Factories and Industrial Undertakings (Safety Management) Regulations	HK\$3,000

As at the Latest Practicable Date, we had duly paid the fine and no provision had to be made.

Upon identification of the aforesaid incidents of non-compliance, our Group has taken steps to enhance our internal control measures to prevent recurrence of the non-compliance. Our internal control measures include, but not limited to:

1. The responsible safety supervisors shall closely monitor compliance of safety rules relating to working at height in each construction site to ensure that workers strictly follow our Group's relevant safety rules whilst working at height. For works to be conducted within lift shafts and at a height of 2 metres or above, the relevant working platforms or structures shall be inspected by a competent person before commencement of work and regularly during the course of execution of the work. Depending on the height of works, each worker is strictly required to wear safety harness;
2. The safety supervisors shall conduct safety meeting with project managers and site agents for bringing their attentions to the incidents and its details deficiencies or improvement measures required. Each safety supervisors shall review and implement the relevant improvement measures within the site which the safety supervisor resided. Project Managers and site agents will ensure sufficient fall arresting equipment on site;
3. We have established a safety committee of our Group, which will hold meetings on a monthly basis to identify, recommend and review measures to improve the safety and health of the workers. Mr. Leung is the chairman of the safety committee. The external safety consultant will attend the safety committee meetings in order to give professional and independent safety opinions for all committee members.



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4. We conduct additional training or re-training to the workers to remind them of the safety rules and requirements of working at height.

### 2. *Mandatory Provident Fund Scheme related non-compliance*

From May 2009 to May 2016, Kin Wo failed to enroll its director, namely Mrs. Leung, into its MPF Scheme who received director's fees from Kin Wo. Our Group confirmed that the said non-compliance was not willful and due to inadvertent oversight, unfamiliarity with the relevant requirements of the accounting clerk responsible for employee records.

According to our Legal Counsel, in light of the above non-compliance of Kin Wo under the Mandatory Provident Fund Scheme Ordinance ("MPFSO"), the total maximum penalty against our Group would be HK\$450,000 to HK\$550,000. However, our Legal Counsel is of the view that the above non-compliance during the material period was not committed with the consent/connivance of the management of our Group within the meaning of Section 44 of the MPFSO. Therefore, the management of our Group would not be personally liable under the MPFSO unless the contrary is shown. Further, under Section 43B(4) of the MPFSO, the time limitation for the Mandatory Provident Fund Schemes Authority ("MPFSA") to institute prosecution for an offence under Sections 7, 7A and 43B of the MPFSO is "within 6 months after the offence is discovered by, or comes to the notice of, the Authority (i.e. MPFSA)". Assuming the MPFSA came into notice of the non-compliances of Kin Wo latest on 5 May 2016, any prosecution of those non-compliances would only be time-barred 6 months thereafter, that is, the prosecution of the non-compliances of Kin Wo has not been time-barred unless until 5 October 2016.

Considering that (1) Kin Wo has enrolled Mrs. Leung into its respective MPF Scheme; (2) Kin Wo repaid the neglected MPF contributions in respect of Mrs. Leung's director's fees on 5 May 2016; and (3) the previous clear record of Kin Wo, our Legal Counsel opines that (a) any penalties to be imposed on Kin Wo would likely to be at the lower end and (b) the risk for Kin Wo to be prosecuted for breaching Sections 7, 7A and 43B during the material period is highly unlikely.

Our Directors confirm that in order to prevent recurrence of the non-compliance in relation to MPFSO, our accounting and administration supervisor will be in charge of preparing MPF contributions calculations for the directors and the financial controller will be responsible for reviewing them. The contributions will be subject to directors' approval before being paid to the Mandatory Provident Fund Schemes Authority.

As confirmed by our Directors, as at the Latest Practicable Date, save as disclosed above, our Group did not receive any notices for any fines or penalties for any non-compliance that is material and systemic.

### **Indemnity given by our Controlling Shareholders**

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any non-compliances of our Group on or before the date on which the Placing becomes unconditional. Further details of the Deed of

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Indemnity are set out in the paragraph headed “F. Other information – 1. Tax and other indemnities” in Appendix V to this prospectus. As such, no provision was made in the financial statements of our Group in respect of the aforementioned non-compliances.

### INTERNAL CONTROL

To streamline the current internal control procedures, we engaged an independent internal control consultant (“**Internal Control Consultant**”) in December 2015 to review the adequacy and effectiveness of our internal control procedures, systems and controls. The Internal Control Consultant is a company rendering internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange.

The objective of the internal control review is to assess and identify significant weaknesses in relevant procedures, systems and controls as established by our Group. A detailed evaluation was done by our Internal Control Consultant. Through an initial fieldwork commenced in February 2016, our Internal Control Consultant identified some weaknesses and deficiencies in our internal control system and recommended certain measures to be implemented. Based on such recommendations, we implemented remedial measures on areas including staff management, budget and risk management, information and communication system and internal audit functions to improve our internal control system.

The Internal Control Consultant has identified the following key findings and our Group has taken the following remedial actions based upon the Internal Control Consultant’s recommendations:

#### KEY FINDINGS

#### REMEDIAL ACTIONS TAKEN

##### *Policies and procedures*

Our Group did not have written policies and procedures related to the compliance procedures on the Listing Rules.

Our Group has set up written compliance manual setting out all relevant laws and regulations such as the Listing Rules, Companies Ordinance and Employment Ordinance.

##### *Segregation of information*

Our Group did not separate the computer information received and maintained by the department of commerce and department of project management.

Confidential information of the department of commerce and the department of project management, such as tender prices on the server, have been located at password protected folders so that other staffs will not be able to access the confidential information.

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### KEY FINDINGS

### REMEDIAL ACTIONS TAKEN

#### *Declaration of conflict of interest*

Employees were not required to sign any disclosure of potential conflict of interests with our Group or any confidentiality agreement.

Our Group has established a written mechanism to govern staff's declaration on potential conflict of interests and confidentiality agreement.

#### **Internal control measures to improve corporate governance**

In order to prevent the reoccurrence of non-compliance and to continuously improve our Group's corporate governance and other relevant legal and regulatory compliance in the future, our Group has adopted or will adopt the following measures recommended by the Internal Control Consultant:

1. On 23 May 2016, our Directors attended training sessions conducted by our legal adviser as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
2. We have agreed to engage Dakin Capital as our compliance adviser upon Listing to advise us on regulatory compliance with the Listing Rules.
3. When necessary, we will engage external professional, including auditors, internal control consultant, external legal adviser(s) and other advisers to render professional advice as to compliance with statutory and regulatory requirements, as applicable to our Group from time to time.
4. Our Group has appointed Mr. Chow Kit Ting, as the financial controller and company secretary, to handle the secretarial matters of our Group. He is also responsible for the daily monitor to ensure compliance of our Group to Companies Ordinance.
5. On 23 May 2017, we established an audit committee which will implement formal and transparent arrangements to apply financial reporting, internal control principles in accounting and financial matters and risk management system to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after the Listing. The audit committee will exercise its oversight by:
  - (i) reviewing our internal control, risk management and legal compliance;
  - (ii) discussing the internal control and risk management systems with the management of our Group to ensure that the management has performed its duty to have an effective internal control system; and

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- (iii) considering the major investigation findings on internal control and risk management matters as delegated by the Board or on its own initiative and the management's response to these findings.

Our audit committee consists of all the independent non-executive Directors, whose biographical details are set out in the section headed "Directors, senior management and employees" in this prospectus.

6. Our Group will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance when necessary and appropriate.

### **View of our Directors and the Sole Sponsor**

Based on the Internal Control Consultant's review and recommendations, our Group adopted the measures and policies to improve its internal control systems and to ensure its compliance with the Listing Rules and the relevant Hong Kong laws. Also, after the Internal Control Consultant performed their follow-up review in April and December 2016, they did not note any findings of material weakness or insufficiency in our Group's internal control system. Based on the results of the internal control reviews above, our Directors are of the view, and the Sole Sponsor concurs, that adequate and effective internal control procedure and policies have been put in place by our Group.

### **RESEARCH AND DEVELOPMENT**

During the Track Record Period and as at the Latest Practicable Date, we had not engaged in any research and development activity.

### **INTELLECTUAL PROPERTY**

#### **Trademarks**

As at the Latest Practicable Date, our Group had registered a trademark in Hong Kong. Information relating to the trademark is set out in the paragraph headed "Statutory and general information – C. Intellectual property rights of our Group – 1. Trademark" in Appendix V to this prospectus

#### **Domain name**

As at the Latest Practicable Date, our Group is the owner of the following domain names which are considered by our Directors as material to the business of our Group:

<b>Domain name</b>	<b>Registrant</b>	<b>Registration date</b>	<b>Expiry date</b>
leungpui.com.hk	Leung Pui	12 June 2015	19 June 2017
fivedragons.com.hk	The Company	23 August 2016	26 August 2026
kinshingholdings.com.hk	The Company	10 March 2017	14 March 2022

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Save as the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions. As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for the violation of intellectual property rights or any material violation.

### PROPERTIES

We do not own any real estate property and lease all of the premises occupied by us. As at the Latest Practicable Date, we had the following leased properties located in Hong Kong for our operations:

Address	Use of the property	Major terms of the tenancy
Unit D, 9/F, Billion Plaza 2, No. 10, Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong	Office	Monthly rental of HK\$50,525 with tenancy period up to 30 October 2017
Room 8, Unit B, 9/F, Billion Plaza 2, No. 10, Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong	Office	Monthly rental of HK\$7,388
Lot No. 897 in D.D. 123 Yuen Long Hong Kong	Open storage	Monthly rental of HK\$25,000 with tenancy period up to 14 July 2017

One of the leased properties occupied by us as our office is leased from connected persons of our Group, the details of which are set out under the section headed “Connected transactions – Exempt continuing connected transactions – 1. Office lease agreement” in this prospectus.

### RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed “Risk factors” in this prospectus. The following sets out the key measures adopted by our Group under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

**(i) Risk relating to customer concentration**

Please refer to the paragraph headed “Customer Concentration” in this section.

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**(ii) Risk relating to suppliers' performance**

Please refer to the paragraph headed "Suppliers – Selection of suppliers" in this section.

**(iii) Risk relating to subcontractors' performance**

Please refer to the paragraph headed "Subcontracting – vicarious liability and control measures" and "Subcontracting – subcontracting payment to our subcontractors" in this section.

**(iv) Financial risks, in particularly foreign currency risk, credit risk and liquidity risk**

Please refer to the paragraph headed "Financial information – Financial risk management" in this prospectus and Note 36 in the Accountants' Report in Appendix I to this prospectus.

**(v) Quality control system**

Please refer to the paragraph headed "Quality assurance" in this section.

**(vi) Health and safety system**

Please refer to the paragraph headed "Occupational health and safety" in this section.

**(vii) Environmental management system**

Please refer to the paragraph headed "Environmental compliance" in this section.

**(viii) Corporate governance measures**

Please refer to the paragraph headed "Relationship with the Controlling Shareholders – Corporate governance measures" in this prospectus.

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## **RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS**

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### **OUR CONTROLLING SHAREHOLDERS**

On 5 August 2016, Mr. Leung, Mrs. Leung and Mr. Chow entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of (i) Leung Pui and Ho Yip since the incorporation of Leung Pui and Ho Yip; and (ii) each of the members of our Group upon Listing and will continue so as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the section headed “History, corporate structure and reorganisation – Parties acting in concert” in this prospectus.

Immediately upon completion of the Capitalisation Issue and the Share Offer, Five Continental will hold 75% of our Company’s entire issued share capital (without taking into account the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). Five Continental is owned as to 85% by Mr. Leung and 15% by Mr. Chow. As Mrs. Leung is the spouse of Mr. Leung, Mrs. Leung is deemed to be interested in the shares of Five Continental held by Mr. Leung. Accordingly, each of Mr. Leung, Mrs. Leung, Mr. Chow and Five Continental are our Controlling Shareholders. For details regarding the shareholding interest of the Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this prospectus.

Our Controlling Shareholders Mr. Leung and Mrs. Leung are the executive Directors of our Company. For further details, please refer to the section headed “Directors, Senior Management and Employees – Directors – Executive Directors” in this prospectus.

Our Controlling Shareholders have confirmed that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of our Group.

### **DELINEATION OF THE BUSINESS OF OUR GROUP AND HOOVER**

Mr. Chow is indirectly interested in 33.27% of Hoover, a company which is in the construction industry and has entered into transactions with the Group during the Track Record Period.

Hoover is a limited liability company incorporated in Hong Kong on 30 July 2010. Hoover is a main contractor principally engaged in carrying out general building construction works and renovation in Hong Kong. Hoover is wholly owned by An Hsin Construction Company Limited which in turn is owned as to approximately 33.27% by Mr. Chow and approximately 66.73% by Independent Third Parties. As such, Hoover is an associate of Mr. Chow and thus a connected person of the Company. For details of the transactions between Hoover and our Group, please refer to the paragraph headed “Connected Transactions – Exempt continuing connected transactions – 2. Provision of formwork services to Hoover” of this prospectus.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Notwithstanding both Hoover and our Group are in the construction industry carrying out businesses in Hong Kong, their principal businesses are different. Hoover is a main contractor for general building construction works and renovation which does not carry out formwork works singly whereas our Group is a subcontractor carrying out formwork works. Our Group's formwork works only form part of a variety of works carried out in the projects of Hoover. Hoover does not by itself carry out formwork works but subcontracts all formwork works to be performed by third parties instead. The relationship of Hoover and our Group is of main contractor and subcontractor relationship.

Having different positions along the industrial chain in the construction industry, Hoover has the necessary licence to carry out general building construction works, whereas our Group does not have such licence. For the limited general building works carried out by our Group during the Track Record Period, the same were carried out jointly with other construction companies with the relevant licence. Our Group did not provide renovation services during the Track Record Period. Going forward, it is the strategy of our Group to focus on doing formwork works and will not tender for building construction works projects and will not purport to allocate resources or employees to the building construction works.

Due to the difference in business focus, the customers and suppliers of Hoover and our Group are different. The major customers of Hoover are property developers while the major customers of our Group are main contractors. Hoover's major suppliers are the subcontractors it engaged for performing its construction and renovation projects while our Group's major suppliers are suppliers of construction materials used by us which mainly include timber, plywood, steel and accessories and aluminium materials. The Directors confirmed that the ten largest customers and suppliers of our Group do not overlap with that of Hoover during the Track Record Period, save and except Supplier E who was our top five supplier for the financial year ended 31 March 2014 which accounted for approximately 6.9% of the total materials cost of our Group for that financial year only. For the two financial years ended 31 March 2016 and the nine months ended 31 December 2016, Supplier E was not a top ten supplier of our Group, hence the Directors considered that the overlapping of supplier is immaterial.

In relation to management, Hoover has three directors as at the Latest Practicable Date and Mr. Chow is one of them. However, Mr. Chow was not a Director of the Company as at the Latest Practicable Date and had ceased to be a director of all the members of the Group since January 2014. As such, there was no overlapping of management between Hoover and our Group as at the Latest Practicable Date and for at least the two recent financial years of the Group.

To avoid future potential competition that Hoover may have against our Group's business, Mr. Chow has undertaken to the Company to procure Hoover (and its associates) not to carry out formwork works by itself or conduct any business which will be in direct or indirect competition with our Group (save and except Hoover and its associates can subcontract formwork works to be performed by third parties).



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independently from the Controlling Shareholders and their associates after Listing for the following reasons:

#### **Management independence**

Our management and operational decisions are made by our Board and senior management. Our Board comprises four executive Directors and three independent non-executive Directors. Although Mr. Leung (who is also one of the directors of Five Continental) and Mrs. Leung hold directorship in our Company, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (i) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the paragraph headed “Corporate governance measures” in this section; and
- (iii) all our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry we are engaged in and have served our Group for a period of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

#### **Operational independence**

Our organisational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of the business.

As at the Latest Practicable Date, our Group occupies one property for office purposes. The said property is leased from Mr. Leung and Mrs. Leung, please refer to the paragraph headed “Connected transactions – Exempt continuing connected transactions – 1. Office lease agreement” in this prospectus for details.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders. Our operation does not rely on the lease from the Controlling Shareholders as comparable properties with similar rental are available in the vicinity and the cost of relocation is not substantial.

### Financial independence

We have an independent financial system and make financial decisions according to our own business needs. All outstanding loans or borrowings from any of our Controlling Shareholders or any of their respective associates will be fully settled before the Listing. For the bank loan facilities granted in September 2016, January 2017 and May 2017, the guarantee provided by Mr. Leung will be released upon Listing and will be replaced by corporate guarantee from the Group companies. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Share Offer as we expect that our working capital will be funded by our operating income.

### DEED OF NON-COMPETITION

In order to avoid any future competition between our Group and the Controlling Shareholders, each of the Controlling Shareholders has under the Deed of Non-competition undertaken and covenanted with our Company (for itself and as trustee for its subsidiaries) that for so long as he/she/it and/or his/her/its associates, directly or indirectly, whether individually or taken together, remain a controlling shareholders of our Company:

- (i) he/she/it will not, and will procure his/her/its associates not to (other than through our Group or in respect of each covenantor (together with his/her/its associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, director, partner, agent, employee or otherwise and whether for profit, reward or otherwise) in any business which is or may be in competition with the business carried on by our Group from time to time (the “**Restricted Activity**”), except where our Company’s approval as mentioned in the paragraph below is obtained.

The Controlling Shareholders and their respective associates are entitled to engage or have an interest in any Restricted Activity if after offering such investment, engagement or participation (the “**New Business Opportunities**”) to our Company pursuant to (ii) below, our Company has confirmed in writing (the “**Approval Notice**”) that none of our Group members wishes to be engaged or interested in the relevant Restricted Activity and it has approved the relevant Controlling Shareholders and their respective associates to engage or have any interest in the Restricted Activity. Any Director who is interested in the relevant Restricted Activity shall not vote on relevant resolutions approving the Approval Notice;

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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- (ii) if the Controlling Shareholders and/or his/her/its associates decide to invest, be engaged, or participate in any Restricted Activity, whether directly or indirectly, in compliance with the Deed of Non-competition, he/she/it will and/or will procure his/her/its associates (other than members of our Group) to disclose the terms of such investment, engagement or participation to our Company and the Directors as soon as practicable and use his/her/its best endeavors to procure that the New Business Opportunities are offered to our Company on terms no less favorable than the terms on which such investment, engagement or participation is offered to him/her/it and/or his/her/its associates. When New Business Opportunities are referred to our Company by the Controlling Shareholders, the independent non-executive Directors will consider such opportunity on various aspects including viability and profitability;
- (iii) he/she/it will not, and will procure his/her/its associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholder's knowledge, as at the date of the Deed of Non-competition, is or has been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor, sales or management, technical staff or an employee (of managerial grade or above) of any member of our Group; and
- (iv) he/she/it will not, and will procure his/her/its associates not to, exploit his/her/its knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Activity.

The Deed of Non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of the Controlling Shareholders under the Deed of Non-competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) the Controlling Shareholders and his/her/its associates, individually and/or collectively, cease to be deemed as a controlling shareholder of our Company (within the meaning defined in the Listing Rules from time to time); or
- (c) the Controlling Shareholders and his/her/its associates, individually and/or collectively beneficially own or are interested in the entire issued share capital of our Company,

whichever occurs first.

Nothing in the Deed of Non-competition shall prevent the Controlling Shareholders or any of their associates from carrying on any business whatsoever other than the Restricted Activity.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-competition:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders and their respective associates on their existing or future competing businesses;
- (ii) the Controlling Shareholders shall promptly provide all information necessary for the annual review by our Company's independent non-executive Directors and the enforcement of the Deed of Non-competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-competition and make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- (iii) our Company shall disclose decisions on matters reviewed by its independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by the Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company and/or by way of announcements to the public;
- (iv) any New Business Opportunities under the Deed of Non-competition and all other matters determined by the Board as having a potential conflict of interest with our Controlling Shareholders will be referred to the independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on the relevant matters. In the event any New Business Opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-competition, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company. The annual report of our Company will include the views and decisions, with basis, of the independent non-executive Directors on whether to take up any New Business Opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to the independent non-executive Directors;
- (v) further, if a Controlling Shareholder or a Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and

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## **RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS**

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- (vi) the compliance adviser of our Company shall provide our Company with professional advice on compliance of continuing obligations under the Listing Rules in accordance with the provisions of the compliance adviser agreement and the requirements of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

During the Track Record Period, our Group had entered into a number of transactions with connected persons of our Company, and these transactions will continue following the Listing which constitute continuing connected transactions of our Group pursuant to the Listing Rules. Details of the continuing connected transactions are set out as below.

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### 1. Office Lease Agreement

On 1 November 2015, a lease agreement (the “**Office Lease Agreement**”) was entered into between Five Dragons Properties Limited (as landlord) (the “**Landlord**”) and Leung Pui (as tenant) in respect of the premises situated at Unit D, 9/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong (the “**Office Premises**”) with a gross floor area of approximately 125.07 square meters for office use.

The Office Lease Agreement was for a term of two years commencing from 1 November 2015 until 30 October 2017 (both days inclusive) at a monthly rental of HK\$50,525 (exclusive of rates, government rent and management fee which are payable by the tenant). The monthly rental is payable in advance on the first day of each and every successive calendar month.

The monthly rental was determined after arm’s length negotiations between the parties by making reference to the prevailing market rates of similar properties in the vicinity. Roma Appraisals Limited, an independent property valuer has been engaged to confirm that the monthly rental under the Office Lease Agreement is consistent with the prevailing market rates of similar properties in the similar location or at the vicinity and is fair and reasonable.

The Landlord is a limited company incorporated in Hong Kong on 17 March 2015 which owned as to 49% by Mr. Leung and 51% by Mrs. Leung, whereas both Mr. Leung and Mrs. Leung are the executive Directors and Controlling Shareholders of our Company. As such, the Landlord is a connected person pursuant to the Listing Rules. Accordingly, the Office Lease Agreement constitutes a continuing connected transaction for our Company under the Listing Rules. As at the Latest Practicable Date, the Landlord was a property investment company.

During the Track Record Period, Leung Pui rented from the Landlord in respect of the Office Premises. For each of the three years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016, the historical rental paid by Leung Pui to the Landlord amounted to nil, nil, approximately HK\$253,000 and approximately HK\$455,000.

As the relevant applicable percentage ratios with respect to the transaction contemplated under the Office Lease Agreement on an annual basis are less than 5% and the total consideration is less than HK\$3,000,000, the Office Lease Agreement constitutes an

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## CONNECTED TRANSACTIONS

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exempt continuing connected transaction of our Company under Rule 14A.76(1) of the Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Confirmation from the Directors**

Our Directors (including our independent non-executive Directors), after taking into account of the view of Roma Appraisals Limited that the monthly rental under the Office Lease Agreement is at prevailing market rate, confirm that the Office Lease Agreement has been entered into in the ordinary and usual course of business of our Group on normal commercial terms, and the terms of the Office Lease Agreement are fair and reasonable and in the interests of our Company and Shareholders as a whole.

### **2. Provision of formwork works services to Hoover**

Hoover is a limited liability company incorporated in Hong Kong and is a main contractor principally engaged in carrying out general building construction works and renovation. Hoover is wholly owned by An Hsin Construction Company Limited which in turn is owned as to approximately 33.27% by Mr. Chow and approximately 66.73% by Independent Third Parties, hence Hoover is an associate of Mr. Chow. As Mr. Chow is one of the Controlling Shareholders of our Company and he is also the uncle of one of our executive Directors Mr. Chow Dik Cheung, Hoover is a connected person pursuant to the Listing Rules. For more information of Hoover, please refer to the paragraph headed "Relationship with the Controlling Shareholders – Delineation of the business of our Group and Hoover".

During the Track Record Period, Hoover has subcontracted a number of projects to Leung Pui to provide formwork works services. For each of the three years ended 31 March 2016 and for the nine months ended 31 December 2016, the total contract sum Hoover paid us amounted to approximately HK\$53,000, nil, HK\$3,154,000 and HK\$5,100,000 respectively. As at the Latest Practicable Date, only the contract sum of one project previously engaged by Hoover has yet been completely settled. The remaining contract sum to be recognised under the said project is approximately HK\$707,000. We estimate that the remaining contract sum will be settled afterward upon the further assessment by Hoover. Upon completion of the said project, our Group has no present intention to enter into any contracts with Hoover in the future.

As the relevant applicable percentage ratios with respect to the subcontract fees payable by Hoover from the year ending 31 March 2018 on an annual basis is less than 5% and the total consideration is less than HK\$3,000,000, the subcontract arrangement constitutes an exempt continuing connected transaction of our Company under Rule 14A.76(1) of the Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### NON-EXEMPT CONTINUING CONNECTED TRANSACTION

#### 3. Purchase of merchandises from King Fu Plastic Products Limited

On 23 May 2017, Leung Pui and King Fu Plastic Products Limited (“**King Fu**”) entered into a master agreement (the “**King Fu Agreement**”), pursuant to which Leung Pui has agreed to purchase and King Fu has agreed to supply tools and materials for formwork works to our Group at a price to be determined from time to time. The selling price of the merchandises are to be separately negotiated for each purchase by the parties based on the principles that the purchase price payable shall be determined on normal commercial terms after arm’s length negotiation, and shall be no less favourable than the prevailing market price and the price offered by Independent Third Parties. The parties will have separate purchase order in respect of each purchase.

The King Fu Agreement shall commence from the Listing Date until 31 March 2020, provided that either party may terminate the agreement by giving not less than one month’s prior written notice to the other party. For each of the three years ended 31 March 2016 and for the nine months ended 31 December 2016, our total purchase from King Fu amounted to approximately HK\$500,000, HK\$6,100,000, HK\$9,300,000 and HK\$7,500,000 respectively.

*Annual Caps:* It is expected that our total purchase from King Fu from the Listing Date for each of the three years ending 31 March 2020 will not exceed HK\$11,000,000, HK\$12,000,000 and HK\$13,000,000 respectively. The proposed caps are determined by making reference to (i) the historical transaction amounts; (ii) the growth rate of the historical amount; and (iii) the estimated growth of our Group’s business.

To ensure the purchase price offered by King Fu are fair and reasonable and comparable to those offered by Independent Third Parties, our Group will obtain quotation in relation to the same product type and volume from at least two other independent companies prior to entering into purchase order with King Fu so, as to know the prevailing market price. Our Directors consider that the above procedures can ensure that the transactions under the King Fu Agreement will be conducted on normal commercial terms and not prejudicial to the interests of our Company and its minority Shareholders after Listing.

King Fu is a company with limited liability incorporated in Hong Kong on 10 March 2000 and is a supplier of a wide variety of merchandises including construction-related tools and materials. Since King Fu is owned as to 50% by Mr. Tso Kwong Wa and 50% by Ms. Wong Siu Fong, who are the brother and sister-in-law of Mrs. Leung respectively, King Fu is a connected person of our Company and the transactions contemplated under the King Fu Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.



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## CONNECTED TRANSACTIONS

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### WAIVER FROM STOCK EXCHANGE

Based on the annual caps under the King Fu Agreement as mentioned above, the relevant percentage ratio is more than 25% and the annual consideration is more than HK\$10,000,000. Therefore, the transactions under the King Fu Agreement constitute non-exempt continuing connected transactions and are subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements as set out in Rules 14A.31, 14A.35, 14A.36, 14A.49, 14A.55, 14A.64, 14A.69 and 14A.71 of the Listing Rules. The Board considers that strict compliance with the announcement requirement would be unduly burdensome and would add unnecessary administrative costs to our Company. Our Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the King Fu Agreement from strict compliance with the announcement and independent shareholders' approval requirements, under Listing Rules 14A.35 and 14A.36.

#### Application for Waiver

##### *(a) Reasons for the application*

Given that the transactions under the King Fu Agreement will be carried out on a recurring basis, was entered into in the ordinary and usual course of business and on normal commercial terms, and that the terms of the King Fu Agreement and the annual cap as mentioned above are fair and reasonable and in the interests of our Company and Shareholders as a whole, our Company has applied to the Stock Exchange for, and was granted waiver from, strict compliance with the announcement, circular and independent shareholders' approval requirements, in respect of the transactions under the King Fu Agreement for the financial year ending 31 March 2020 on the conditions set out below:

- (i) the annual cap amounts for the continuing connected transactions under the King Fu Agreement for the financial year ending 31 March 2020 as stated above will not be exceeded;
- (ii) our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules under the King Fu Agreement;
- (iii) upon expiry of the waiver granted for the period ending 31 March 2020, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules; and
- (iv) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this prospectus relating to the continuing connected transactions, our Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

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## CONNECTED TRANSACTIONS

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*(b) Confirmation from the Directors*

The Directors, including the independent non-executive Directors, confirm that the King Fu Agreement was entered into on normal commercial terms, in the ordinary and usual course of business and is fair and reasonable to the Group on the basis that the terms of the King Fu Agreement are no less favourable to the Group than terms offered by Independent Third Parties, and therefore is in the interests of our Company and the Shareholders as a whole. The Directors, including the independent non-executive Directors, are of the view that the annual cap under the King Fu Agreement is fair and reasonable and in the interests of our Company and the Shareholders as a whole.

*(c) Confirmation from the Sole Sponsor*

The Sole Sponsor is of the view that the King Fu Agreement was entered into in the ordinary and usual course of business and on normal commercial terms and that the terms of the King Fu Agreement and the annual cap set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

The following table sets forth certain information regarding our Directors:

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Brief description of roles and responsibilities	Relationship among Directors
<b>Executive Directors</b>						
Mr. Leung Chi Kit (梁志杰)	57	Executive Director and Chairman of the Board	April 2016	March 1994	Responsible for formulating corporate strategies and planning the business development of our Group	The spouse of Mrs. Leung
Ms. Tso Yuk Ching (曹玉清)	57	Executive Director and General Manager (Administration)	May 2016	May 2009	Responsible for supervising business administration	The spouse of Mr. Leung
Mr. Chow Dik Cheung (周迪將)	41	Executive Director and chief executive officer	May 2016	May 2000	Responsible for making major operation decisions	Not applicable
Mr. Chan Sik Mau (陳錫茂)	62	Executive Director	May 2016	January 2004	Providing advice and executing the business strategy of our Group	Not applicable
<b>Independent Non-executive Directors</b>						
Mr. Chang Chun Pong (張振邦)	48	Independent non-executive Director	23 May 2017	23 May 2017	Providing independent advice to the Board	Not applicable
Mr. Tsui Leung Cho (徐良佐)	89	Independent non-executive Director	23 May 2017	23 May 2017	Providing independent advice to the Board	Not applicable
Mr. Lam Kai Yeung (林繼陽)	47	Independent non-executive Director	23 May 2017	23 May 2017	Providing independent advice to the Board	Not applicable

The Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Executive Directors

**Mr. Leung Chi Kit** (梁志杰), aged 57, is the spouse of Mrs. Leung and is one of the founders of our Group. He is an executive Director and the Chairman of the Board. Mr. Leung attained his secondary school education in 1973 in the PRC. Mr. Leung has over 30 years of experience in formwork works and related construction works in Hong Kong. Mr. Leung is primarily responsible for formulation of overall business development strategy, overall management and administration and major business decisions of our Group. Prior to establishing our Group in March 1994, Mr. Leung worked in several construction companies in Hong Kong and was responsible for formwork works and related construction works. Leveraging on his experience gained in the industry, he started to venture his own business as a construction contractor in 1981. As the business expanded under Mr. Leung's leadership, Mr. Leung together with Mr. Chow set up Mastery in 1994.

Mr. Leung has been holding the following positions under our Group, namely, (i) the director of Mastery since April 1994; (ii) the director of Leung Pui from November 2001 to June 2009 and from November 2011 up to the Latest Practicable Date; (iii) the director of Ho Yip from November 2001 to July 2009 and from May 2012 up to the Latest Practicable Date; (iv) the director of Five Dragons since March 2013.

Mr. Leung was a director of the following companies which were incorporated in Hong Kong and were voluntarily dissolved by deregistration pursuant to section 291AA(9) of the Predecessor Companies Ordinance:

Name of Company	Nature of business	Date of dissolution by deregistration
Art Sino Limited	Property Trading	5 October 2007
Artwill Enterprise Limited	Property Trading	24 October 2008
Best Vantage (China) Limited	Property Trading	8 February 2013
China Palace Investment Limited	Property Trading	16 December 2005
Cyber Mark Corporation Limited	Property Trading	18 August 2006
East Victory Investment Limited	Property Trading	26 October 2012
Fine Grain Limited	Property Trading	21 September 2012
First View Development Limited	Property Trading	30 May 2014
Fullsun Trading Limited	Property Trading	13 July 2012
Gain World Industrial Limited	Property Trading	26 October 2012
Good Alliance Limited	Property Trading	10 August 2007
Leung Pui Form Mould Company Limited	Construction	25 June 2004
Lucky Profit Development Limited	Property Trading	10 March 2006
Lucky Wise (H.K.) Limited	Property Trading	17 August 2007
Mastery (NFK) Plastering Company Limited	Plaster Work	8 August 2008
Max Pine Development Limited	Property Trading	23 November 2007
Pine Luck Development Limited	Property Trading	4 April 2014
Real Wealth Investment Limited	Property Trading	21 September 2012
Sino Full Investment Limited	Property Trading	29 October 2010
Well Friendship International Limited	Property Trading	24 October 2008

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Leung confirmed the above dissolved companies were solvent immediately prior to their dissolution and that there was no wrongful act on his part leading to the above dissolution of the companies by deregistration and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of these companies.

Mr. Leung was also the director of a private company, Lucky Ford Industrial Limited (“**Lucky Ford**”) (in liquidation) which was formed for the investment of a project related to conversion of a cinema to a shopping arcade containing a number of shop units in June 2004. In or about September 2006, Lucky Ford had agreed to sell some of the shop units to two shareholders of Lucky Ford (collectively, the “**Lucky Ford Minority Shareholders**”) at their requests with the concurrence of other shareholders by entering into an agreement with Lucky Ford Minority Shareholders together with the other shareholders (the “**Shareholders Agreement**”). The purchase price was regarded as an amount due to Lucky Ford from the Lucky Ford Minority Shareholders which could be repaid by setting off the shareholder’s loan due from Lucky Ford to the Lucky Ford Minority Shareholders and the dividends to be declared and distributed to the Lucky Ford Minority Shareholders, if any and the Lucky Ford Minority Shareholders are still liable to repay the shortfall, if any.

Some of the shop units were mortgaged to a few financial institutions. Due to the financial turmoil in 2008, in or about 2010, Lucky Ford suffered from significant cash flow difficulties. Eventually Lucky Ford had become insolvent and was ordered to be wound up under provisions of the Predecessor Companies Ordinance on 29 October 2012.

Mr. Leung had been involved in three civil litigation cases arising from his investments in Lucky Ford, namely, HCCW 145/2012, HCA 1357/2012 and HCA 2498/2014 of which HCA 1357/2012 and HCA 2498/2014 were still ongoing as at the Latest Practicable Date.

HCCW 145/2012 was initiated by a winding up petition filed by the Lucky Ford Minority Shareholders in May 2012. Given the insolvent status of Lucky Ford at the material time, the majority shareholders, including Mr. Leung, did not object the winding-up of Lucky Ford. As such, a winding-up order was subsequently pronounced by the High Court against Lucky Ford on 29 October 2012.

In HCA 1357/2012, Lucky Ford, through its liquidator, had drawn Mr. Leung, together with other parties, as third parties to the original proceeding. The original proceeding was instituted by a third party assignee of a loan arrangement originally made between Lucky Ford as lender and Lucky Ford Minority Shareholders as borrowers. In view of this third party proceeding, if Lucky Ford loses in the original proceeding and is ordered to refund the entire consideration of the assignment of loan to the third party assignee, Lucky Ford will seek indemnification (being HK\$5,150,000 plus interests and costs) from Mr. Leung and/or other parties.

In relation to HCA 2498/2014, the Lucky Ford Minority Shareholders (one of whom was then deceased and represented by the deceased’s administratrix) instituted legal proceeding against Mr. Leung and other shareholders (collectively, the “**Lucky Ford Majority Shareholders**”), Lucky Ford and others, seeking damages allegedly suffered by the Lucky Ford Minority Shareholders due to, among others, the Lucky Ford Majority

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Shareholders' alleged breach of certain agreements among themselves, Lucky Ford's disposal of shop units in the shopping arcade at undervalue price and an order for an account and/or enquiry etc.

Mr. Leung has denied the allegations against him in the above mentioned two proceedings and has filed his defence in both HCA 1357/2012 and HCA 2498/2014 accordingly.

As at the Latest Practicable Date, HCA 1357/2012 and HCA 2498/2014 were yet to be proceeded to the trial stage, a case management summons for both cases is scheduled on 6 November 2017. At present, the parties are contemplating to settle the cases by mediation. The first mediation was held on 9 November 2016 and the second mediation was scheduled on 23 May 2017.

In order to assess whether Mr. Leung is suitable to act as a Director under Chapter 3 of the Listing Rules, the Sole Sponsor has:

- (a) obtained legal advice from Mr. Chan Chung the legal counsel, he opined that all allegations against Mr. Leung (being one of the Lucky Ford Majority Shareholders) remain as assertions only and no weighting should be attached to them and should not render Mr. Leung unsuitable to act as a director of a listed issuer after having taken into account, including but not limited to the following:
  - (i) in a lawsuit, it is very usual for parties making serious allegations against the other parties even involving fraud against each other. Unless there is any judgment, these allegations against Mr. Leung remain assertions only;
  - (ii) there are factual disputes between the parties in the two proceedings to be resolved by the court or by settlement of the parties. As at the date hereof, there is no court judgment making any finding of facts that ruling Mr. Leung had committed any of those act;
  - (iii) HCA1357/2012 and HCA 2498/2014 are still ongoing. In the premises, at this stage if they are taken to be true by any person, then he or she is in fact usurping the role of the court in deciding the issues between the parties;
  - (iv) After reviewing the documents of the two proceedings including witness statement of Mr. Leung and other contemporaneous documents including but not limited to minutes of shareholders' meetings of Lucky Ford, Mr. Chan Chung is of the opinion that the two proceedings against Mr. Leung are unlikely to succeed. As such, the two proceedings will not give rise to any material liability on the part of the Group. Nevertheless, our Controlling Shareholders have, under the Deed of Indemnity, irrevocably and unconditionally agreed to provide our Group with full indemnity in connection with all losses and damages we may incur from the two proceedings.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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- (b) obtained and reviewed the documents relevant to two proceedings, in particular, the Shareholders Agreement, the loan agreement, minutes and unaudited financial statements of Lucky Ford, court documents and the documentary support provided and/or filed to the court by the parties in respect of the proceedings;
- (c) kept itself updated of the progress of the two proceedings including the filing of court documents by respective parties and the liaison between Mr. Leung, the Lucky Ford Minority Shareholders and others for settlement by way of mediation in November 2016, although case management summons has been arranged for the litigations on 6 November 2017;
- (d) engaged third party agent to conduct a thorough background search, litigation search and bankruptcy search against Mr. Leung, and nothing has been brought to the attention of the Sole Sponsor that would render Mr. Leung not having the character and integrity to act “honestly” and in good faith in the interests of our Company as a whole under Rule 3.08 and 3.09 of the Listing Rules;
- (e) together with the Sole Sponsor’s legal advisers, conducted interview with Mr. Leung, particularly related to the background and progress of the two proceedings;
- (f) together with the Sole Sponsor’s legal advisers, conducted interview with the solicitors acting for Mr. Leung in the two proceedings, in order to ascertain and verify, among others, (i) the background giving rise to the two proceedings; (ii) the progress of the two proceedings and the conduct thereof; (iii) their views on the conduct of the case and the merits of the two proceedings; (iv) Mr. Leung’s defence against the two proceedings; (v) the possible damages to be liable by Mr. Leung if the Lucky Ford Minority Shareholders win the two proceedings. The amount claimed against Mr. Leung and other defendants in HCA 1357/2012 is HK\$5,150,000 plus interest and costs whereas the amount claimed against Mr. Leung and other defendants in HCA2498/2014 cannot be quantified for the time being;
- (g) together with the Sole Sponsor’s legal advisers, conducted interviews with other Lucky Ford Majority Shareholders in order to ascertain if Mr. Leung’s understanding on the background of the two proceedings and the contention of the Lucky Ford Minority Shareholders concords with that of the other Lucky Ford Majority Shareholders; and
- (h) conducted interviews with our major customers, during which no adverse comments or opinion as to the character, integrity and honesty of Mr. Leung was received from them.

Taking into account legal advice from Mr. Chan Chung, the legal counsel and the findings in the due diligence matter particularly on the suitability of Mr. Leung in acting as a Director of the Company, our Directors are of the view that the mere allegations by the Lucky Ford Minority Shareholders against Mr. Leung in the two proceedings should not render Mr. Leung unsuitable to act as a Director under Listing Rules 3.08 and 3.09.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Based on the above, the Sole Sponsor concurs with our Directors' view that the aforesaid two proceedings and the allegations made by the Lucky Ford Minority Shareholders against Mr. Leung therein shall not affect Mr. Leung's integrity to act as a director of a listed company under Chapter 3 of the Listing Rules or impugn on his integrity or competence.

**Ms. Tso Yuk Ching** (曹玉清), aged 57, is the spouse of Mr. Leung. She is an executive Director of our Company, the sole director of Kin Wo and has been the general manager (administration) of Leung Pui since March 2016. Prior to joining the Company, Mrs. Leung has over seven years of experience in business management while she acted as the director in Kin Wo. She has been involved in assisting Mr. Leung in the management of Leung Pui since its incorporation. Starting from June 2009, she contributed further in the management of Leung Pui by advising on its administrative matters, her duties include overseeing human resources matters, as well as co-ordinating among different departments to ensure sufficiency of office support for the operation of Leung Pui. She has also been involved in the discussion about major management issues of Leung Pui and Ho Yip since their incorporation. For details of her previous involvement in Leung Pui and Ho Yip and her involvement in members of our Group upon Listing, please refer to the section headed "History, corporate structure and reorganisation – Parties acting in concert" in this prospectus.

Mrs. Leung was a director of the following companies which were incorporated in Hong Kong and were voluntarily dissolved by deregistration pursuant to section 291AA(9) of the Predecessor Companies Ordinance:

<b>Name of Company</b>	<b>Nature of business</b>	<b>Date of dissolution by deregistration</b>
Ever Vision Industrial Limited	Property Trading	1 March 2013
Fine Grain Limited	Property Trading	21 September 2012
Kingfair Holdings Limited	Property Trading	26 October 2012
Real Wealth Investment Limited	Property Trading	21 September 2012

Mrs. Leung confirmed that the above dissolved companies were solvent immediately prior to their dissolutions and there is no wrongful act on her part leading to the above dissolution of the companies and she is not aware of any actual or potential claim has been or will be made against her as a result of the dissolutions of these companies.

**Mr. Chow Dik Cheung** (周迪將), aged 41, is the nephew of Mr. Chow and is an executive Director and chief executive officer of our Company. He has over 15 years of experience in the engineering and construction industry. Mr. Chow Dik Cheung is responsible for making major operation decisions for the department of commerce, department of safety and department of project management. Mr. Chow Dik Cheung obtained his Bachelor's degree of Engineering in Mechatronic Engineering from City University of Hong Kong in November 1999. He obtained a certificate in Construction Safety Supervisor Course from Construction Industry Training Authority in October 2001. Mr. Chow Dik Cheung obtained his Bachelor's degree of Engineering in Building Engineering (Construction Engineering and Management) from City University of Hong



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Kong in November 2008. He further obtained a professional diploma in Occupational Safety & Health from the School of Continuing Education Hong Kong Baptist University in September 2011. Mr. Chow Dik Cheung joined our Group in May 2000 as a quantity surveyor.

Mr. Chow Dik Cheung was a director of the following companies which were incorporated in Hong Kong and were voluntarily dissolved by deregistration pursuant to section 291AA(9) of the Predecessor Companies Ordinance:

<b>Name of Company</b>	<b>Nature of business</b>	<b>Date of dissolution by deregistration</b>
Hang Wo (HK) Engineering Company Limited	Engineering	20 May 2005
Leung Pui Form Mould Company Limited	Construction	25 June 2004

Mr. Chow Dik Cheung confirmed that the above dissolved companies were solvent immediately prior to their dissolution and there is no wrongful act on his part leading to the above dissolution of the companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of these companies.

**Mr. Chan Sik Mau** (陳錫茂), aged 62, is an executive Director of our Company. He has over 30 years of experience in formwork works and construction work in Hong Kong. He has been working with Mr. Leung since 1996 and assisted Mr. Leung since the incorporation of our Group.

Starting from January 2004, he was employed by Leung Pui as site agents. Based on his experience and understanding in our Group, he was assigned to manage several major construction sites and provide advice and execute the business strategy of our Group.

### **Independent Non-executive Directors**

**Mr. Chang Chun Pong** (張振邦), aged 48, is an independent non-executive Director of our Company. Mr. Chang obtained his Bachelor's degree in Laws from The University of Hong Kong in 1990. He obtained a Postgraduate Certificate in Laws from The University of Hong Kong in 1991. He was admitted as a solicitor of Hong Kong in February 1994.

Mr. Chang has over 22 years of experience in legal practice. He was an assistant solicitor of Y.L. Yeung & Co., Solicitors from March 1994 to August 1995. Mr. Chang was a partner of Kong & Chang, Solicitors, from March 2003 to March 2017. He then joined Au Yeung, Lo & Chung as a consultant since March 2017.

**Mr. Tsui Leung Cho** (徐良佐), aged 89, is an independent non-executive Director of our Company. He obtained his Bachelor's degree of Science in Civil Engineering from Ling Nam University, the PRC in July 1951. Mr. Tsui obtained a Master's degree in Advanced Structural Engineering from University of Southampton, England in March 1973. He obtained a Master's degree of Engineering in Geological Engineering from University of

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Toronto, Canada in March 1983. Mr. Tsui was a member of the Institution of Structural Engineers of England in December 1964, a fellow member of the same Institution in June 1975; a member of the Institution of Engineers Australia in February 1976 and a member of the Association of Professional Engineers of the Province of Ontario, Canada in November 1978, a Registered Structural Engineer in Hong Kong since 1978 and a Professional Engineer in California, United States of America since 1984.

Mr. Tsui has over 50 years of experience in structural engineering. He was a lecturer of the Civil Engineering Departments in various universities in the PRC from August 1951 to December 1961; an engineer of Eric Cumine & Partners in Hong Kong from January 1962 to February 1963; a structural engineer of The Building Ordinance Office in Hong Kong from March 1963 to April 1967; a senior structural engineer of The Architectural Office, Public Works Department in Hong Kong from April 1967 to March 1978; a chief engineer of Omen Lee & Associates, Ontario, Canada from August 1978 to August 1980; a senior engineer of Reed Inc., Toronto, Canada from August 1980 to September 1983; a construction manager of Technic Construction Co. in Hong Kong from September 1983 to September 1988. He has been the president and the registered structural engineer of George Tsui & Associates, an associate of T.Y. Lin (H.K.) and an external professor of Wu Han University, the PRC, since September 1993.

**Mr. Lam Kai Yeung** (林繼陽), aged 47, is an independent non-executive Director of our Company. Mr. Lam obtained a Bachelor's degree of Accounting from Xiamen University in July 1990 and a Master's degree in Business Administration from Oxford Brookes University in the United Kingdom in July 2010. Mr. Lam has been a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2006 and April 2008 respectively.

Mr. Lam was the company secretary and qualified accountant of Hunan Nonferrous Metals Corporation Limited (stock code: 2626) from July 2006 to August 2013 which was delisted from the Stock Exchange in March 2015. He was an non-executive director of Ping Shan Tea Group Limited (stock code: 364) from December 2014 to May 2015. Mr. Lam was an independent non-executive director of Northeast Tiger Pharmaceutical Company Limited (stock code: 8197) from August 2008 to 18 June 2015. Mr. Lam was an independent non-executive director of a company listed on the Stock Exchange, namely Highlight China IDT International Limited (formerly known as Ford Glory Group Holdings Limited) (stock code: 1682) from August 2014 to May 2017. Mr. Lam has also been an independent non-executive director of other several companies listed on the Stock Exchange, namely, Silverman Holdings Limited (stock code: 1616) since June 2012; Sunway International Holdings Limited (stock code: 58) since 20 May 2015; Finsoft Financial Investment Holdings Limited (stock code: 8018) since June 2015; Holly Futures (stock code: 3678) since June 2015; and Kong Shum Union Property Management (Holding) Limited (stock code: 8181) since October 2015.

Mr. Lam is a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed companies in the three years prior to the date of this prospectus. Immediately following completion of the Share Offer and the Capitalisation Issue, save as the interests in the Shares which are disclosed in the section headed “Substantial Shareholders” in this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

The following table sets forth certain information regarding our senior management:

The business address of each senior management member is Unit D, 9/F., Billion Plaza 2, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.

Names	Age	Present position(s) in our Group	Date of appointment as senior management	Date of joining our Group	Brief description of roles and responsibilities	Relationship among Directors and senior management
<b>Senior Management</b>						
Ms. Cheng Wai Man (鄭惠文)	43	Head of Administration	June 1999	June 1999	Responsible for overall administration work	Not applicable
Mr. Chow Kit Ting (周傑霆)	32	Financial Controller and Company Secretary	February 2016	February 2016	Responsible for finance operation	Not applicable
Ms. Wong Wing Sze (黃詠詩)	38	Head of Purchasing	March 2001	March 2001	Responsible for purchasing	Not applicable
Mr. Chow Si Ka (周仕家)	65	Commercial Manager	April 2003	April 2003	Responsible for contract management	Not applicable

**Ms. Cheng Wai Man (鄭惠文)**, aged 43, is the head of administration of our Group. She has over 20 years of experience in accounting and secretarial work. Ms. Cheng obtained a certificate in Book-keeping – First Level from the London Chamber of Commerce and Industry Examinations Board in the United Kingdom in 1999. She obtained a general course certificate (commercial stream) from Hong Kong Institute of Vocational Education in September 1999. She obtained a certificate in Book-keeping and Accounts – Second Level from the London Chamber of Commerce and Industry Examinations Board in the United Kingdom in 2000. Ms. Cheng obtained a certificate in accountancy from Hong Kong Institute of Vocational Education in July 2001.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Prior to joining our Group in June 1999, Ms. Cheng was a shipping clerk of Halldonn Company Limited from December 1991 to January 1993. She then worked for Gulog Design Company as an account clerk and computer aided drafting (CAD) draftsman till November 1995. She was a secretary of Accurate Contractors & Renovators Co., Ltd. from March 1996 to July 1998.

**Mr. Chow Kit Ting** (周傑霆), aged 32, is the Financial Controller and Company Secretary of our Group. He has over nine years of experience in accounting, corporate finance, compliance and company secretarial works. Mr. Chow obtained his Bachelor's degree of Commerce with a major in Accountancy from Macquarie University in November 2007. He was a member of Certified Public Accountants (CPA) Australia in September 2011 and a member of Hong Kong Institute of Certified Public Accountants in May 2015.

Prior to joining our Group in February 2016, Mr. Chow worked for Deloitte Touche Tohmatsu from September 2007 to March 2015 and last held the position of manager. Mr. Chow was the financial controller and company secretary of Link Holdings Limited (stock code: 8237) from March 2015 to January 2016.

**Ms. Wong Wing Sze** (黃詠詩), aged 38, is the head of purchasing of our Group. She has over 15 years of experience in the office administration work. Ms. Wong obtained a certificate in London Chamber of Commerce & Industry Elementary English Book-keeping from the Spare-Time Study Centre of The Hong Kong Federation of Trade Unions Workers' Club in February 2001. She studied the programme in English Communication Skills for the office in School of Continuing & Professional Studies of the Chinese University of Hong Kong in July 2008.

Prior to joining our Group in March 2001, she was a marketing assistant of AV Engineering Company from November 1995 to August 1998. She was a clerk of Team Endurance (HK) Ltd. from March 1999 to June 1999. Ms. Wong was an administration clerk of E&P Holdings Limited from March 2000 to December 2000.

**Mr. Chow Si Ka** (周仕家), aged 65, is the commercial manager of our Group. He has over 39 years of experience in construction engineering. Mr. Chow obtained a Higher Certificate in Construction Engineering from The Morrison Hill Technical Institute in July 1975.

Prior to joining our Group in April 2003, Mr. Chow was a contract manager of Tang Tak Son Construction Co., Ltd. from May 1977 to August 1982. He was a chief site quantity surveyor in various projects of Technic Construction Co Ltd from July 1982 to March 1987. He worked for Fong Wing Shing Construction Co., Ltd. from July 1988 to November 2001 as contracts manager and project manager and his last position was chief estimator.

Saved as disclosed above, none of our senior management had any directorships in any listed company over the past three years and none of our senior management has any relationship with any Director, senior management, substantial shareholder or controlling shareholder of our Company.

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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### **COMPANY SECRETARY**

Mr. Chow Kit Ting is the company secretary of our Company. Please refer to the paragraph headed “Senior management” in this section for his biography.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules after the Listing.

### **BOARD COMMITTEES**

#### **Audit committee**

We have established an audit committee on 23 May 2017. On 23 May 2017, the audit committee approved the written terms of reference in compliance with the Listing Rules, which will come into effect upon the Listing. The audit committee consists of all the independent non-executive Directors, namely, Mr. Lam Kai Yeung, Mr. Chang Chun Pong and Mr. Tsui Leung Cho. Mr. Lam Kai Yeung is the chairman of the audit committee. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and the internal control systems of our Group.

#### **Remuneration committee**

We have established a remuneration committee on 23 May 2017. On 23 May 2017, the remuneration committee approved the written terms of reference in compliance with the Listing Rules, which will come into effect upon the Listing. The remuneration committee consists of five members, namely, Mr. Chang Chun Pong, Mr. Leung, Mrs. Leung, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung. Mr. Chang Chun Pong is the chairman of the remuneration committee. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of the Directors and senior management of our Company, determine on behalf of the Board specific remuneration packages and conditions of employment for the Directors and senior management of our Company, and to assess the performance of the Directors and senior management of our Company.

#### **Nomination Committee**

We have established a nomination committee on 23 May 2017. On 23 May 2017, the nomination committee has approved the written terms of reference in compliance with the Listing Rules, which will come into effect upon the Listing. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee consists of five members, namely, Mr. Leung, Mrs. Leung, Mr. Chang Chun Pong, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung. Mr. Leung is the chairman of the nomination committee.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS' REMUNERATION

For each of the three years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016, the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Company to our Directors were approximately HK\$2.9 million, HK\$4.2 million, HK\$6.1 million and HK\$6.2 million respectively. It is estimated that under the arrangements currently in force, the aggregate remuneration (including directors' fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) payable to our Directors (including the independent non-executive Directors) for the year ending 31 March 2018 will be approximately HK\$7.0 million. We shall maintain relevant liability insurance for our Directors upon Listing.

The remuneration paid by our Company to our top five highest paid individuals (including our Directors) for each of the three years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016 were approximately HK\$3.5 million, HK\$5.6 million, HK\$7.3 million and HK\$7.6 million respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, the Directors or our five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by our Company to, or receivable by, the Directors, past Directors or our five highest paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company during the Track Record Period.

During the Track Record Period, none of our Directors waived any emoluments. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or our five highest paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the remuneration committee will consider factors, such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance, in assessing the amount of remuneration payable to our Directors, senior management and employees.

### EMPLOYEES

As at the Latest Practicable Date, our Group had 1,176 employees located in Hong Kong. For details, please refer to the paragraph headed "Business – Employees" in this prospectus.

### EMPLOYEES' RELATIONS

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries, discretionary bonuses and commission.

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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As required by the employment laws in Hong Kong, our Group participates in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. We contribute 5% of our employees' relevant income per month as required under the ordinance subject to a maximum of HK\$1,500 per employee (commencing from 1 June 2014). Contributions from us are 100% vested in each employee immediately but, subject to limited exceptions, all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or ceases employment and the employee declares not to become employed or self-employed within the foreseeable future. We also provide labour insurance for each of our Hong Kong staff.

Bonuses are generally discretionary and based on the overall performance of our Group's business. We believe that our employee relations are satisfactory in general. We believe that the management policies, working environment, career prospects and benefits extended to our employees have contributed to employee retention and building of amicable employee relations.

### **COMPLIANCE ADVISER**

We have appointed Dakin Capital as our 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 in the following circumstances:

- before our publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where we have proposed to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on 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 report of our Company in respect of our results for the financial year ending 31 March 2019), subject to early termination.

The compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

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## SHARE CAPITAL

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The following table is prepared on the basis that the Capitalisation Issue and the Share Offer have become unconditional. This table, however, takes no account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme and of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below.

### Authorised share capital:

<u>3,120,000,000</u>	Shares of HK\$0.01 each	<u>HK\$31,200,000</u>
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### Shares in issue or to be issued, fully paid or credited as fully paid:

10,000	Shares in issue at the date of this prospectus	HK\$100
1,244,990,000	Shares to be issued under the Capitalisation Issue <sup>(Note)</sup>	HK\$12,449,900
<u>255,000,000</u>	Shares to be issued under the Share Offer <sup>(Note)</sup>	<u>HK\$2,550,000</u>
<u>1,500,000,000</u>	Shares in total	<u>HK\$15,000,000</u>

*Note:* Pursuant to the written resolutions of the sole Shareholder passed on 23 May 2017, conditional upon the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise the amount of HK\$12,449,900 from the amount standing to the credit of the share premium account of our Company and to apply HK\$12,449,900 to pay up in full at par 1,244,990,000 Shares for allotment and issue to Five Continental.

Assuming any of the Over-allotment Option is exercised in full, the issued share capital of our Company immediately after completion of the Capitalisation Issue and Share Offer will be HK\$15,562,500 divided into 1,556,250,000 Shares.

### MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time.

### RANKING

The Offer Shares, including the additional Shares which may be issued pursuant to the Over-allotment Option, will rank pari passu in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.



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## SHARE CAPITAL

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### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms are summarised in the paragraph headed “E. Share Option Scheme” in Appendix V to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar rights convertible into the Shares as at the Latest Practicable Date.

### GENERAL MANDATE

Subject to the conditions set forth in the paragraph headed “Structure and conditions of the Share Offer – Conditions of the Public Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme(s) or other similar arrangements or under the Share Offer or any scrip dividends in accordance with the Articles or a specific authority granted by the Shareholders, Shares or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted with an aggregate nominal value not exceeding the sum of:

- 20% of the aggregate nominal value of our share capital in issue as enlarged by the Share Offer and the Capitalisation Issue (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of options under the Share Option Scheme); and
- the aggregate nominal amount of our share capital repurchased under the authority granted by us to our Directors pursuant to the Repurchase Mandate referred to below (if any).

This general mandate will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Memorandum and the Articles or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company – 4. Written resolutions of the sole Shareholder” in Appendix V to this prospectus.

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## SHARE CAPITAL

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### REPURCHASE MANDATE

Subject to the conditions set forth in the paragraph headed “Structure and conditions of the Share Offer – Conditions of the Public Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of our share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of options under the Share Option Scheme).

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Memorandum and the Articles or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this repurchase mandate, please refer to the paragraph headed “A. Further information about our Company – 4. Written resolutions of the sole Shareholder” in Appendix V to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please see the section headed “Summary of the constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Substantial Shareholders	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding interests of our Company
Five Continental	Beneficial owner	1,125,000,000	75%
Mr. Leung ( <i>Notes 1, 2</i> )	Interest in controlled corporation	1,125,000,000	75%
Mrs. Leung ( <i>Notes 1, 3</i> )	Family interest	1,125,000,000	75%
Mr. Chow ( <i>Note 1</i> )	Interest in controlled corporation	1,125,000,000	75%

*Notes:*

- On 5 August 2016, Mr. Leung, Mrs. Leung and Mr. Chow entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of (i) Leung Pui and Ho Yip since the incorporation of Leung Pui and Ho Yip and (ii) each of the members of our Group upon Listing and will continue so as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the section headed "History, corporate structure and reorganisation – Parties acting in concert" in this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, namely, Mr. Leung, Mrs. Leung and Mr. Chow is deemed to be interested in 75% of the issued share capital of our Company.
- Five Continental will be legally interested in 1,125,000,000 Shares upon Listing. As 85% and 15% of shareholding interest of Five Continental is owned by each of Mr. Leung and Mr. Chow respectively, Mr. Leung is deemed to be interested in the Shares held by Five Continental under the SFO.
- Mr. Leung is the spouse of Mrs. Leung. Accordingly, Mrs. Leung is deemed to be interested in the Shares in which Mr. Leung has interest under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group and are therefore regarded as substantial shareholders under the Listing Rules.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our Group's financial position and results of operations together with our audited consolidated financial information as at 31 March 2014, 2015, 2016 and 31 December 2016 and for each of the years ended 31 March 2014, 2015, 2016 and for the nine months ended 31 December 2016 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRS. Prospective investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.*

### OVERVIEW

We are an established subcontractor in Hong Kong with an operating history of over 22 years. We principally provide formwork works, which can be categorised into two types, in terms of the materials mainly used in the formwork works, namely, (i) traditional timber formwork by using timber and plywood; and (ii) metal formwork system by using aluminium. During the Track Record Period and up to the Latest Practicable Date, we had completed a total of 32 formwork projects in both public sector (including projects where the ultimate employer(s) are Government departments and statutory bodies) and private sector (including the projects where the ultimate employer(s) are property developer(s) and land owner(s)). As at the Latest Practicable Date, we had 30 formwork projects on hand (including projects in progress as well as projects that awarded to us but not yet commenced) with a total awarded contract sum of approximately HK\$1,268.2 million, of which approximately HK\$217.0 million has been recognised for three years ended 31 March 2016, and approximately HK\$633.1 million is expected to be recognised as revenue during the year ending 31 March 2017.

During each of the years ended 31 March 2014, 2015, 2016 ("FY2014", "FY2015" and "FY2016" respectively) and for the nine months ended 31 December 2016, our Group recorded total revenue of approximately HK\$199.8 million, HK\$483.3 million, HK\$599.4 million and HK\$574.3 million generated from our formwork works and building construction works, respectively. During the same period, the profit and total comprehensive income of our Group was approximately HK\$8.7 million, HK\$29.7 million, HK\$46.2 million and HK\$50.6 million respectively.

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

### BASIS OF PREPARATION OF FINANCIAL INFORMATION

The financial information of our Group has been prepared by our Directors based on the accounting policies which conform with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. The basis of presentation is set out in note 2 of the Accountant's Report in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### FACTORS AFFECTING THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our financial conditions 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:

**(i) Our construction projects are non-recurrent in nature**

Our Group is principally engaged in the construction industry in Hong Kong, focusing on the provision of formwork works. Our services are provided on a project-by-project and non-recurring basis. In fact, we do not have any long term commitments with our customers and the number of our customers may vary from year to year. As at the Latest Practicable Date, we have 30 formwork projects on hand. Upon completion of these on-going contracts, and in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected. Therefore, our future growth and success depends on our ability to continue securing tenders and contract awards. If our customers do not provide us with new businesses after completion of current projects or if we are not able to seek new customers, our future revenue and profit would be adversely affected.

**(ii) Market conditions and trends in the construction industry and in the overall economy will affect our performance**

We derived all of our revenue from construction works in Hong Kong during the Track Record Period. The market demand for our services depends on the market conditions and trends in the construction industry, and on the overall economy. The continued availability of large construction projects, and the nature, extent and timing of such projects will be determined by a variety of factors, such as the land supply in Hong Kong, public housing policy, Government budgets, investment of property developers, and general conditions and prospects of Hong Kong’s economy. If the overall value and number of construction projects in Hong Kong decrease, the demand for our services may fall and our operations and profitability may be adversely affected.

**(iii) Fluctuations in labour costs**

Construction works are generally labour intensive, and we may encounter difficulties in staffing our construction works. For any construction project, a large number of workers from various disciplines with different skills may be required. During the Track Record Period, our staff costs (including directors’ remuneration), as part of the direct costs, amounted to approximately HK\$105.7 million, HK\$276.8 million, HK\$331.5 million and HK\$279.5 million respectively, representing approximately 57.8%, 63.0%, 62.6% and 56.5% of our direct costs during the corresponding periods, respectively. Generally, we prepare tenders based on our estimated project costs plus a mark-up margin. However, the related actual labour costs will not be ascertained when we prepare tenders or quotations. Any unexpected labour

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## FINANCIAL INFORMATION

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fluctuations in labour costs during the course of execution of our projects may affect our profitability. Please refer to the paragraph headed “Financial information – Direct costs” in this section for the sensitivity analysis on the impact of hypothetical fluctuations in the staff costs on our profit before tax for each of the financial years/period during the Track Record Period.

There is no guarantee that the labour supply and average labour costs will remain stable in the future. If we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages claims from our customers and/or incur loss.

### **(iv) Timing and collectability of our retention money**

We normally receive progress payments certification from our customers on a monthly basis with reference to the work performed, and subsequently receive payments from our customers. A portion of the contract value (which is generally subject to a maximum of 5% of the total original contract value) is usually withheld by our customers as retention money. Retention money withheld is normally released to us after six months, 12 months or 24 months after the completion of project depending on the terms of the contract between our Group and our customer. As at 31 March 2014, 2015, 2016 and 31 December 2016, retention money receivables of approximately HK\$5.0 million, HK\$11.3 million, HK\$14.3 million and HK\$30.2 million respectively were retained by our customers. There is no assurance that the retention money or any future retention money will be released to us by our customers on a timely basis. Any late payment, whether arising from payment practice of our customer or delay in completion of the construction project, may adversely affect our future liquidity position.

## **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

Our Group’s significant accounting policies, which are relevant for the discussion and analysis of our financial condition and results of operations as included in this prospectus, are set forth in detail in note 4 to the Accountants’ Report set out in Appendix I to this prospectus. Significant accounting policies are those that are most important to the portrayal of our Group’s results of operations and financial position, and require management to exercise its judgement in the process of applying our Group’s accounting policies. The assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. We believe the following significant accounting policies involve the most significant estimates and judgments used in the preparation of our Group’s financial statements.

### **Significant accounting policies**

#### ***Revenue recognition***

Please refer to note 4 of the Accountants’ Report in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### *Construction contracts*

Please refer to note 4 of the Accountants' Report in Appendix I to this prospectus.

### **KEY SOURCES OF ESTIMATION UNCERTAINTY**

The key assumptions concerning the future, and key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out in note 5 to the Accountants' Report contained in Appendix I to this prospectus.

### **SUMMARY OF RESULTS OF OPERATIONS**

The following consolidated statements of profit or loss and total comprehensive income of our Group for the Track Record Period is extracted from, and should be read in conjunction with, the audited consolidated statements of profit or loss and other comprehensive income, together with the accompanying notes, in the Accountants' Report set forth in Appendix I to this prospectus.

	<b>Year ended 31 March</b>			<b>Nine months ended 31 December</b>	
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Revenue	199,813	483,330	599,354	481,041	574,342
Direct costs	<u>(182,777)</u>	<u>(439,148)</u>	<u>(529,265)</u>	<u>(426,034)</u>	<u>(494,272)</u>
Gross profit	17,036	44,182	70,089	55,007	80,070
Other income	16	468	882	548	1,245
Other losses	–	(815)	(11)	(12)	(16)
Administrative expenses	(6,047)	(8,032)	(15,635)	(8,292)	(19,438)
Finance costs	<u>(165)</u>	<u>(135)</u>	<u>(221)</u>	<u>(155)</u>	<u>(118)</u>
Profit before tax	10,840	35,668	55,104	47,096	61,743
Income tax expense	<u>(2,096)</u>	<u>(5,936)</u>	<u>(8,949)</u>	<u>(7,679)</u>	<u>(11,165)</u>
Profit and total comprehensive income for the year/period	<u>8,744</u>	<u>29,732</u>	<u>46,155</u>	<u>39,417</u>	<u>50,578</u>

## FINANCIAL INFORMATION

### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

During the Track Record Period, our Group recorded revenue of approximately HK\$199.8 million, HK\$483.3 million, HK\$599.4 million and HK\$574.3 million respectively; and for the same periods, our Group recorded profit and total comprehensive income for the year of approximately HK\$8.7 million, HK\$29.7 million, HK\$46.2 million and HK\$50.6 million, respectively.

The following discussion is based on our historical results of operations and may not be indicative of our future operating performance.

### REVENUE

We were involved in a total of 62 formwork projects and 3 building construction work projects, of which 32 formwork projects and 3 building construction work projects were completed and 30 formwork projects were projects in progress and projects awarded but yet to have commenced during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, our revenue was principally derived from formwork works and building construction works. The following table sets forth the revenue generated from our formwork works and our building construction works in each of the financial years/period:

	2014		For the year ended 31 March				2016		For the nine months ended 31 December						
			2015						2015		2016				
	<i>No. of project handled</i>		<i>No. of project handled</i>		<i>No. of project handled</i>		<i>No. of project handled</i>		<i>No. of project handled</i>		<i>No. of project handled</i>		<i>No. of project handled</i>		
	(Note)	HK\$'000	%	(Note)	HK\$'000	%	(Note)	HK\$'000	%	(Note)	HK\$'000	%	(Note)	HK\$'000	%
										<i>(unaudited)</i>					
Formwork works	13	186,042	93.1	22	466,565	96.5	33	598,480	99.9	29	480,666	99.9	41	574,242	100.0
Building construction works	2	13,771	6.9	2	16,765	3.5	2	874	0.1	1	375	0.1	1	100	-
Total revenue	15	199,813	100.0	24	483,330	100.0	35	599,354	100.0	30	481,041	100.0	42	574,342	100.0

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.



## FINANCIAL INFORMATION

During the Track Record Period, our revenue was principally derived from formwork works by using timber formwork and/or metal formwork. The following table sets forth our revenue breakdown by type of formwork used in each of financial year/period:

	2014			For the year ended 31 March						For the nine months ended 31 December					
				2015			2016			2015			2016		
	No. of project handled	HK\$'000	%	No. of project handled	HK\$'000	%	No. of project handled	HK\$'000	%	No. of project handled	HK\$'000	%	No. of project handled	HK\$'000	%
Timber formwork	13	186,042	100.0	22	466,565	100.0	30	549,245	91.8	27	451,085	93.8	36	425,431	74.1
Metal formwork	-	-	-	-	-	-	1	42,806	7.2	1	29,191	6.1	2	85,813	14.9
Both timber and metal formwork	-	-	-	-	-	-	2	6,429	1.0	1	390	0.1	3	62,998	11.0
Total revenue generated from formwork works	13	186,042	100.0	22	466,565	100.0	33	598,480	100.0	29	480,666	100.0	41	574,242	100.0

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

As shown in the table above, our revenue generated from timber formworks represented 100%, 100%, approximately 91.8% and approximately 74.1% of our Group's total revenue during the Track Record Period, whilst our revenue generated from metal formwork and both timber and metal formwork represented nil, nil, approximately 7.2% and approximately 14.9% of our Group's total revenue; and nil, nil, approximately 1.0% and approximately 11.0% of our Group's total revenue, respectively, during the Track Record Period.

The following table sets forth our revenue derived from different type of contracts during the Track Record Period:

	2014			For the year ended 31 March						For the nine months ended 31 December					
				2015			2016			2015			2016		
	No. of project handled	HK\$'000	%	No. of project handled	HK\$'000	%	No. of project handled	HK\$'000	%	No. of project handled	HK\$'000	%	No. of project handled	HK\$'000	%
Fixed price contract	7	114,148	57.1	16	399,926	82.7	21	487,322	81.3	20	409,711	85.2	19	276,814	48.2
Contract with provisional price subject to remeasurement	8	85,665	42.9	8	83,404	17.3	14	112,032	18.7	10	71,330	14.8	23	297,528	51.8
Total revenue	15	199,813	100.0	24	483,330	100.0	35	599,354	100.0	30	481,041	100.0	42	574,342	100.0

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

## FINANCIAL INFORMATION

During the Track Record Period, our Group engaged in construction projects from both public and private sectors. Public sector projects refer to projects where the ultimate employer(s) are Government departments and statutory bodies, while private sector projects refer to projects where the ultimate employer(s) are property developer(s) and land owner(s). The following table sets forth the respective number of projects handled by our Group and the revenue generated from private and public sector projects by provision of formwork works and building construction works in each financial year/period:

	For the year ended 31 March									For the nine months ended 31 December					
	2014			2015			2016			2015		2016			
	No. of project handled	(Note)	%	No. of project handled	(Note)	%	No. of project handled	(Note)	%	No. of project handled	(Note)	%	No. of project handled	(Note)	%
Private sector projects	15	199,813	100.0	23	477,591	98.8	32	591,047	98.6	29	478,213	99.4	35	511,490	89.1
Public sector projects	-	-	-	1	5,739	1.2	3	8,307	1.4	1	2,828	0.6	7	62,852	10.9
<b>Total</b>	<b>15</b>	<b>199,813</b>	<b>100.0</b>	<b>24</b>	<b>483,330</b>	<b>100.0</b>	<b>35</b>	<b>599,354</b>	<b>100.0</b>	<b>30</b>	<b>481,041</b>	<b>100.0</b>	<b>42</b>	<b>574,342</b>	<b>100.0</b>

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

As shown in the table above, our revenue generated from private sector projects represented 100%, approximately 98.8%, 98.6% and 89.1% of our Group's total revenue during the Track Record Period, whilst revenue generated from public sector projects represented nil, approximately 1.2%, 1.4% and 10.9% of our Group's total revenue during the Track Record Period.

The following table sets out our revenue derived from formwork works and building construction works at different completion stages during the Track Record Period:

	For the year ended 31 March									For the nine months ended 31 December					
	2014			2015			2016			2015		2016			
	No. of project handled	(Note)	%	No. of project handled	(Note)	%	No. of project handled	(Note)	%	No. of project handled	(Note)	%	No. of project handled	(Note)	%
Revenue derived from projects brought forward	7	150,802	75.5	12	200,174	41.4	23	467,222	78.0	22	402,552	83.7	25	329,517	57.4
Revenue from new projects commenced	8	49,011	24.5	12	283,156	58.6	12	132,132	22.0	8	78,489	16.3	17	244,825	42.6
<b>Total</b>	<b>15</b>	<b>199,813</b>	<b>100.0</b>	<b>24</b>	<b>483,330</b>	<b>100.0</b>	<b>35</b>	<b>599,354</b>	<b>100.0</b>	<b>30</b>	<b>481,041</b>	<b>100.0</b>	<b>42</b>	<b>574,342</b>	<b>100.0</b>

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

## FINANCIAL INFORMATION

For the three years ended 31 March 2016 and for the nine months ended 31 December 2016, there were 15, 24, 35 and 42 projects contributing approximately HK\$199.8 million, HK\$483.3 million, HK\$599.4 million and HK\$574.3 million, respectively to our revenue. Set out below is the breakdown of such projects based on their respective revenue recognised during the Track Record Period:

	For the year ended 31 March			For the nine months ended 31 December	
	2014	2015	2016	2015	2016
	Number of projects	Number of projects	Number of projects	Number of projects	Number of projects
<b>Revenue recognised</b>					
HK\$100,000,000 or above	–	1	–	–	–
HK\$50,000,000 to below					
HK\$100,000,000	1	2	3	3	2
HK\$10,000,000 to below					
HK\$50,000,000	4	6	8	8	18
HK\$1,000,000 to below					
HK\$10,000,000	6	10	14	9	14
Below HK\$1,000,000	4	5	10	10	8
	<u>15</u>	<u>24</u>	<u>35</u>	<u>30</u>	<u>42</u>

The following table sets forth the list of formwork projects completed by us during the Track Record Period:

Project no.	Sector	Year ended 31 March			For the nine months ended 31 December		Total revenue recognised during the Track Record Period
		2014	2015	2016	2015	2016	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(a)	(b)	(c)	(unaudited)	(d)	(a)+(b)+(c)+(d)
Project 1	Private	3,015	368	313	301	–	3,696
Project 2	Private	16	–	–	–	–	16
Project 3	Private	1,531	267	19	19	–	1,817
Project 4	Private	2,731	43	–	–	–	2,774
Project 5	Private	21,782	2,439	1,123	1,027	–	25,344
Project 6	Private	46,711	–	–	–	–	46,711
Project 7	Private	739	2,341	1,051	932	389	4,520
Project 8	Private	78,389	70,289	555	534	2,409	151,642
Project 9	Private	1,933	6,215	13	13	–	8,161
Project 10	Private	–	20,564	2,069	1,784	–	22,633
Project 11	Private	20,305	58,513	422	422	11,245	90,485
Project 12	Private	–	–	49	49	–	49

## FINANCIAL INFORMATION

Project no.	Sector	Year ended 31 March			For the nine months ended 31 December		Total revenue recognised during the Track Record Period HK\$'000 (a)+(b)+(c)+(d)
		2014	2015	2016	2015	2016	
		HK\$'000 (a)	HK\$'000 (b)	HK\$'000 (c)	HK\$'000 (unaudited)	HK\$'000 (d)	
Project 13	Private	–	122,555	46,198	43,083	936	169,689
Project 14	Private	33	3,387	3,825	3,825	–	7,245
Project 15	Private	–	3,828	8,455	8,455	–	12,283
Project 16	Private	–	39,019	48,680	48,090	2,394	90,093
Project 17	Private	6,639	21,586	5,814	5,814	407	34,446
Project 18	Private	2,218	26,560	18,499	18,425	2,768	50,045
Project 19	Private	–	–	2,291	1,904	383	2,674
Project 20	Public	–	–	–	–	561	561 <sup>(note)</sup>
Project 21	Private	–	1,186	7,701	7,701	–	8,887
Project 22	Private	–	42,834	94,820	88,662	620	138,274
Project 23	Private	–	845	13,784	11,704	334	14,963
Project 24	Public	–	5,739	4,630	2,828	2,828	13,197
Project 25	Private	–	504	39,128	24,398	8,036	47,668
Project 26	Private	–	–	3,154	1,056	5,100	8,254
Project 27	Private	–	–	24,246	18,529	11,357	35,603
Project 28	Private	–	–	44,334	27,146	15,498	59,832
Project 29	Private	–	–	–	–	13,466	13,466
Project 30	Private	–	–	42,805	29,191	39,013	81,818
Project 31	Private	–	–	5,025	–	14,424	19,449
Project 32	Private	–	–	–	–	1,022	1,022
Sub-total		<u>186,042</u>	<u>429,082</u>	<u>419,003</u>	<u>345,892</u>	<u>133,190</u>	<u>1,167,317</u>

*Note:* Since our works were certified by our customer in April 2016 and no work certified during the three years ended 31 March 2016, thus no revenue was recognised even though the project was completed during the three years ended 31 March 2016. Our Group recognised HK\$561,000 of revenue in April 2016.

## FINANCIAL INFORMATION

The following table sets forth the list of building construction projects completed by us during the Track Record Period:

Project no.	Sector	Year ended 31 March			For the nine months ended 31 December		Total revenue recognised during the Track Record Period HK\$'000 (a)+(b)+(c)+(d)
		2014	2015	2016	2015	2016	
		HK\$'000 (a)	HK\$'000 (b)	HK\$'000 (c)	HK\$'000 (unaudited)	HK\$'000 (d)	
Project A	Private	37	–	–	–	–	37
Project B	Private	13,734	8,166	574	375	100	22,574
Project C	Private	–	8,599	300	–	–	8,899
Sub-total		<u>13,771</u>	<u>16,765</u>	<u>874</u>	<u>375</u>	<u>100</u>	<u>31,510</u>

The following table sets forth the list of formwork projects on hand (including projects in progress as well as projects that awarded to us but not yet commenced) as at the Latest Practicable Date:

Project no.	Sector	Type of formwork	Year ended 31 March			Nine months ended 31 December		Total revenue recognised during the Track Record Period HK\$'000 (a)+(b)+(c)+(d)	Status as at the Latest Practicable Date
			2014	2015	2016	2015	2016		
			HK\$'000 (a)	HK\$'000 (b)	HK\$'000 (c)	HK\$'000 (unaudited)	HK\$'000 (d)		
Project 33	Private	Timber formwork	–	–	798	223	16,361	17,159	In progress
Project 34	Private	Timber formwork	–	8,434	79,679	71,118	18,516	106,629	In progress
Project 35	Private	Timber formwork	–	29,049	89,570	63,043	88,180	206,799	In progress
Project 36	Private	Timber formwork	–	–	–	–	7,917	7,917	In progress
Project 37	Private	Both timber and metal formwork	–	–	–	–	27,873	27,873	In progress
Project 38	Private	Both timber and metal formwork	–	–	1,404	390	20,701	22,105	In progress
Project 39	Public	Timber formwork	–	–	3,337	–	17,249	20,586	In progress
Project 40	Private	Timber formwork	–	–	–	–	11,680	11,680	In progress
Project 41	Private	Timber formwork	–	–	–	–	55,986	55,986	In progress
Project 42	Private	Timber formwork	–	–	–	–	11,469	11,469	In progress
Project 43	Private	Timber formwork	–	–	–	–	19,958	19,958	In progress
Project 44	Private	Timber formwork	–	–	–	–	3,624	3,624	In progress
Project 45	Private	Timber formwork	–	–	–	–	8,548	8,548	In progress
Project 46	Private	Timber formwork	–	–	4,349	–	31,495	35,844	In progress
Project 47	Public	Timber formwork	–	–	–	–	15,891	15,891	In progress
Project 48	Public	Timber formwork	–	–	–	–	2,636	2,636	In progress
Project 49	Private	Metal formwork	–	–	–	–	46,800	46,800	In progress
Project 50	Private	Metal formwork	–	–	–	–	–	–	In progress
Project 51	Private	Timber formwork	–	–	–	–	2,899	2,899	In progress
Project 52	Public	Timber formwork	–	–	–	–	4,911	4,911	In progress
Project 53	Public	Timber formwork	–	–	340	–	18,776	19,116	In progress
Project 54	Private	Timber formwork	–	–	–	–	9,582	9,582	In progress
Project 55	Public	Timber formwork	–	–	–	–	–	–	In progress

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Project no.	Sector	Type of formwork	Year ended 31 March			Nine months ended 31 December		Total revenue recognised during the Track Record Period HK\$'000	Status as at the Latest Practicable Date
			2014	2015	2016	2015	2016		
			HK\$'000 (a)	HK\$'000 (b)	HK\$'000 (c)	HK\$'000 (unaudited)	HK\$'000 (d) (a)+(b)+(c)+(d)		
Project 56	Private	Timber formwork	-	-	-	-	-	-	In progress
Project 57	Private	Timber formwork	-	-	-	-	-	-	In progress
Project 58	Private	Timber formwork	-	-	-	-	-	-	In progress
Project 59	Private	Timber formwork	-	-	-	-	-	-	In progress
Project 60	Private	Timber formwork	-	-	-	-	-	-	In progress
Project 61	Public	Both timber and metal formwork	-	-	-	-	-	-	Not yet commence
Project 62	Private	Timber formwork	-	-	-	-	-	-	Not yet commence
Sub-total			-	37,483	179,447	134,774	441,052	658,012	
Total revenue			199,813	483,330	599,354	481,041	574,342	1,856,839	

Our Group completed 32 formwork projects during the Track Record Period. As at the Latest Practicable Date, our Group has 30 formwork projects on hand (including projects in progress and projects of which our work has yet to commence), of which 25 projects are timber formwork projects, two metal formwork projects and three projects involved both timber and metal formworks. The decision on type of formwork used in each project is mainly decided by our customer which shown in the project specification of tender invitation. These 30 formwork projects on hand had an aggregate contract sum of approximately HK\$1,268.2 million of which approximately HK\$217.0 million has been recognised for three years ended 31 March 2016, and approximately HK\$633.1 million is expected to be recognised as revenue during the year ending 31 March 2017. For further details of our contracts on hand, please refer to the paragraph headed “Business – Our formwork projects” in this prospectus.

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### DIRECT COSTS

Our Group's direct costs consist of staff costs, costs of materials, subcontracting fee and other direct costs. The following table sets forth a breakdown of our direct costs during the Track Record Period:

Direct costs	For the year ended 31 March						For the nine months ended 31 December			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Staff costs	104,838	57.4	275,580	62.8	330,147	62.4	315,334	74.0	279,130	56.4
Materials	37,235	20.4	66,988	15.3	57,381	10.9	45,522	10.6	73,010	14.7
Timber and Plywood	24,538	13.4	40,588	9.2	34,221	6.5	25,868	6.1	28,755	5.8
Steel and accessories	7,978	4.4	13,490	3.1	11,058	2.1	8,278	1.9	12,988	2.6
Aluminium	–	–	–	–	8,423	1.6	7,796	1.8	30,150	6.1
Other materials	4,719	2.6	12,910	3.0	3,679	0.7	3,580	0.8	1,117	0.2
Subcontracting fee	24,840	13.6	74,123	16.9	113,945	21.5	46,293	10.9	114,592	23.2
Rental equipment	2,496	1.4	5,682	1.3	7,214	1.4	4,221	1.0	11,128	2.3
Directors' remuneration	862	0.4	1,237	0.2	1,353	0.2	1,200	0.3	344	0.1
Other direct costs	12,506	6.8	15,538	3.5	19,225	3.6	13,464	3.2	16,068	3.3
<b>Total</b>	<b>182,777</b>	<b>100.0</b>	<b>439,148</b>	<b>100.0</b>	<b>529,265</b>	<b>100.0</b>	<b>426,034</b>	<b>100.0</b>	<b>494,272</b>	<b>100.0</b>

Our most significant direct costs are staff costs (including directors' remuneration), costs of materials, and subcontracting fee. During the Track Record Period, the staff costs (including directors' remuneration) accounted for approximately 57.8%, 63.0%, 62.6% and 56.5% of our total direct costs, respectively; the cost of materials accounted for approximately 20.4%, 15.3%, 10.9% and 14.7% of our total direct costs, respectively; and during the same period, subcontracting fee accounted for approximately 13.6%, 16.9%, 21.5% and 23.2% of our total direct costs, respectively. Our Directors confirm that the proportion of staff costs, cost of materials, and subcontracting fee in our total direct costs depends on, among other factors, the nature, design, and requirements of our projects which vary from project to project.

Our Group engages subcontractors for parts of our formwork works or a particular work process, such as facade installation works, in our works. Cost of materials mainly represent the costs for purchase of timber and plywood, steel and accessories, and aluminium. Staff costs (including directors' remuneration) represent the salaries, wages and other benefits provided for our Directors/workers who are directly involved in the projects. Rental equipment represents equipments rented for our projects which mainly include metal scaffold equipments, containers and forklifts. Other direct costs include, but not limited to, consultancy fees of projects, site overhead, repair and maintenance and testing expenses for materials.

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During the Track Record Period, the aggregate amount of staff costs (including directors' remuneration), cost of materials and subcontracting fee accounted for approximately 91.8%, 95.2%, 95.0% and 94.4% of our total direct costs, respectively. Fluctuations in staff costs (including directors' remuneration), costs of materials and subcontracting fee and our ability to include appropriate cost estimates in the tendering process or the preparation of quotations and to pass on any cost escalations to our customers will affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuation in staff costs (including directors' remuneration), costs of materials and subcontracting fee on our profit before tax during the Track Record Period, assuming all other variables remained constant. According to the IPSOS Report, staff costs, price of plywood and price of aluminium recorded a CAGR during the period between 2011 and 2015 of approximately 11.2%, 1.7% and (7.3)%, respectively. For prudence sake, our Group adopted a hypothetical fluctuation of 2.0%, 7.0% and 11.0% in performing the sensitivity analysis below:

### Sensitivity analysis on our staff costs (including directors' remuneration)

	-11.0%	-7.0%	-2.0%	+2.0%	+7.0%	+11.0%
<b>Hypothetical fluctuation</b> ( <i>% change in staff costs (including directors' remuneration)</i> )						
<b>Change in profit before tax</b> (HK\$'000)						
For the year ended 31 March 2014	11,627.0	7,399.0	2,114.0	(2,114.0)	(7,399.0)	(11,627.0)
For the year ended 31 March 2015	30,449.9	19,377.2	5,536.3	(5,536.3)	(19,377.2)	(30,449.9)
For the year ended 31 March 2016	36,465.0	23,205.0	6,630.0	(6,630.0)	(23,205.0)	(36,465.0)
For the nine months ended 31 December 2015	34,818.7	22,157.4	6,330.7	(6,330.7)	(22,157.4)	(34,818.7)
For the nine months ended 31 December 2016	30,742.1	19,563.2	5,589.5	(5,589.5)	(19,563.2)	(30,742.1)

### Sensitivity analysis on our costs of materials

	-11.0%	-7.0%	-2.0%	+2.0%	+7.0%	+11.0%
<b>Hypothetical fluctuation</b> ( <i>% change in costs of material</i> )						
<b>Change in profit before tax</b> (HK\$'000)						
For the year ended 31 March 2014	4,095.9	2,606.5	744.7	(744.7)	(2,606.5)	(4,095.9)
For the year ended 31 March 2015	7,368.7	4,689.2	1,339.8	(1,339.8)	(4,689.2)	(7,368.7)
For the year ended 31 March 2016	6,311.9	4,016.7	1,147.6	(1,147.6)	(4,016.7)	(6,311.9)
For the nine months ended 31 December 2015	5,007.4	3,186.5	910.4	(910.4)	(3,186.5)	(5,007.4)
For the nine months ended 31 December 2016	8,031.1	5,110.7	1,460.2	(1,460.2)	(5,110.7)	(8,031.1)



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### Sensitivity analysis on our subcontracting fee

	-11.0%	-7.0%	-2.0%	+2.0%	+7.0%	+11.0%
<b>Hypothetical fluctuation (% change in subcontracting fee)</b>						
<b>Change in profit before tax (HK\$'000)</b>						
For the year ended 31 March 2014	2,732.4	1,738.8	496.8	(496.8)	(1,738.8)	(2,732.4)
For the year ended 31 March 2015	8,153.5	5,188.6	1,482.5	(1,482.5)	(5,188.6)	(8,153.5)
For the year ended 31 March 2016	12,534.0	7,976.2	2,278.9	(2,278.9)	(7,976.2)	(12,534.0)
For the nine months ended 31 December 2015	5,092.2	3,240.5	925.9	(925.9)	(3,240.5)	(5,092.2)
For the nine months ended 31 December 2016	12,605.1	8,021.4	2,291.8	(2,291.8)	(8,021.4)	(12,605.1)

*Note:* The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive, and is limited to the impact of changes in the costs of wood and wages respectively, and does not reflect changes in our revenue.

### GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit was approximately HK\$17.0 million, HK\$44.2 million, HK\$70.1 million and HK\$80.1 million for the years ended 31 March 2014, 2015, 2016 and for the nine months ended 31 December 2016 respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by segment during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	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	%
Formwork works	15,590	8.4	41,596	8.9	69,981	11.7	54,971	11.4	80,060	13.9
Building construction works	<u>1,446</u>	10.5	<u>2,586</u>	15.4	<u>108</u>	12.3	<u>36</u>	9.6	<u>10</u>	9.6
	<u>17,036</u>	8.5	<u>44,182</u>	9.1	<u>70,089</u>	11.7	<u>55,007</u>	11.4	<u>80,070</u>	13.9

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The following table sets forth breakdown of our gross profit and gross profit margin by type of formwork used in each of financial year/period:

	For the year ended 31 March						For the nine months ended 31 December			
	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	%
Timber formwork	15,590	8.4	41,596	8.9	57,664	10.5	47,184	10.5	57,954	13.6
Metal formwork	-	-	-	-	11,333	26.5	7,727	26.5	12,472	14.5
Both timber and metal formwork	-	-	-	-	984	15.3	60	15.3	9,634	15.3
	<u>15,590</u>	8.4	<u>41,596</u>	8.9	<u>69,981</u>	11.7	<u>54,971</u>	11.4	<u>80,060</u>	13.9

As shown in the table above, our gross profit margin contributed from timber formworks was approximately 8.4%, 8.9%, 10.5% and 13.6%, respectively, which is lower than that from the metal formwork and both timber and metal formwork.

The following table sets forth breakdown of our gross profit and gross profit margin by customer segments during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	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	%
Private sector	17,036	8.5	43,433	9.1	68,875	11.7	54,642	11.4	74,654	14.6
Public sector	-	-	749	13.1	1,214	14.6	365	12.9	5,416	8.6
Total	<u>17,036</u>	8.5	<u>44,182</u>	9.1	<u>70,089</u>	11.7	<u>55,007</u>	11.4	<u>80,070</u>	13.9

During the Track Record Period, our gross profit margin contributed by contracts from public sector's customers was nil, approximately 13.1%, 14.6% and 8.6% respectively, which is generally higher than that from private sector's customers, except for the nine months ended 31 December 2016, our gross profit margin derived from private sector customers was approximately 14.6% which was higher than that from public sector of approximately 8.6%. It is mainly due to our Project 53, which had relatively low gross profit margin of approximately 5.6% for the nine months period ended 31 December 2016.

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### OTHER INCOME

Our other income primarily consisted of (i) interest income from bank deposits; (ii) management fee income; (iii) sales of scrap materials; and (iv) sundry income. During the Track Record Period, we occasionally derived management fee income from customers, who request additional works performed on behalf of the customer. The following table sets forth a breakdown of other income of our Group during the Track Record Period:

	For the year ended 31 March			For the nine months ended 31 December	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Interest income from bank deposits	–	–	19	18	1
Management fee income	16	–	–	–	–
Sales of scrap materials	–	15	318	313	136
Sundry income	–	453	545	217	1,108
	<u>–</u>	<u>453</u>	<u>545</u>	<u>217</u>	<u>1,108</u>
Total	<u>16</u>	<u>468</u>	<u>882</u>	<u>548</u>	<u>1,245</u>

### OTHER LOSSES

Our other losses primarily consisted of (i) impairment loss on amount due from a related company; and (ii) net foreign exchange loss. During the Track Record Period, we impaired the amount due from our related company, Pine Luck Development Limited, which was strike off in FY2015. The following table sets forth a breakdown of other losses of our Group during the Track Record Period:

	For the year ended 31 March			For the nine months ended 31 December	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Impairment loss on amount due from a related company	–	815	–	–	–
Net foreign exchange loss	–	–	11	12	16
	<u>–</u>	<u>–</u>	<u>11</u>	<u>12</u>	<u>16</u>
	<u>–</u>	<u>815</u>	<u>11</u>	<u>12</u>	<u>16</u>

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### ADMINISTRATIVE EXPENSES

Administrative expenses mainly include staff costs, (including directors' remuneration) and rent, rates and management fee, legal and professional fees, entertainment expenses, travelling expenses and other administrative expenses. The following table sets out a breakdown of our administrative expenses for the years/periods indicated:

	For the year ended 31 March			For the nine months ended 31 December	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Staff costs	2,202	3,273	4,257	3,009	4,805
Directors' remuneration	2,039	2,971	4,702	3,603	5,877
Rent, rates and management fee	288	322	591	377	612
Depreciation on fixed assets	3	3	97	18	272
Legal and professional fees	4	7	344	256	204
Listing expenses	–	–	3,726	–	6,039
Travelling expenses	327	407	350	193	154
Insurance expenses	84	140	256	62	274
Entertainment expenses	493	459	670	398	574
Other administrative expenses	607	450	642	376	627
	<u>6,047</u>	<u>8,032</u>	<u>15,635</u>	<u>8,292</u>	<u>19,438</u>
Total	<u>6,047</u>	<u>8,032</u>	<u>15,635</u>	<u>8,292</u>	<u>19,438</u>

Our administrative expenses mainly include:

- (i) Staff costs, which are salaries, wages and other benefits for our office staff; and contribution to mandatory provident funds;
- (ii) Directors' remuneration which is directors' emolument;
- (iii) Rent, rates and management fee which are paid for office premises rented by our Group;
- (iv) Depreciation on fixed assets, which are related to leasehold improvement, motor vehicle, furnitures and office equipment for administration purpose;
- (v) Legal and professional fees, which are costs mainly incurred for our company secretary and verification services;
- (vi) Listing expenses, which are expenses relating to appointment of professional parties in the preparation of the Listing;

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## FINANCIAL INFORMATION

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- (vii) Travelling expenses, which are mainly represent for travelling costs incurred not directly related in our construction projects;
- (viii) Insurance expenses, which are costs incurred for maintaining basic insurance for our Group's employees who work at our office;
- (ix) Entertainment expenses, which mainly represent costs in relation to the relationship building with existing and potential customers, such as foods and beverages; and
- (x) Other administrative expenses include office expenses, printing and stationery, hiring expenditure for office equipment.

### Directors' Remuneration

The following table sets forth our directors' remuneration recognised as direct costs and administrative expenses which reconciled to the amount of our directors' remuneration sets out to note 12 to the Accountants' Report set out in Appendix I to this prospectus:

	For the year ended 31 March			For the nine months ended 31 December	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' remuneration recognised as					
– Direct costs	862	1,237	1,353	1,200	344
– Administrative expenses	<u>2,039</u>	<u>2,971</u>	<u>4,702</u>	<u>3,603</u>	<u>5,877</u>
	<u>2,901</u>	<u>4,208</u>	<u>6,055</u>	<u>4,803</u>	<u>6,221</u>
Directors' remuneration in the Accountants' Report	<u>2,901</u>	<u>4,208</u>	<u>6,055</u>	<u>4,803</u>	<u>6,221</u>

During the Track Record Period, we recorded directors' remuneration of approximately HK\$2.9 million, HK\$4.2 million, HK\$6.1 million and HK\$6.2 million, respectively. During the Track Record Period, our directors' remuneration increased from approximately HK\$2.9 million in FY2014 to approximately HK\$6.1 million in FY2016. Such increase in our directors' remuneration was mainly due to our profit increased by approximately HK\$37.4 million (or approximately 427.8%) from FY2014 to FY2016. Please refer to "Period to period comparison of results of operations" in this section for details on the reason of increase in our profit during the Track Record Period.

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### FINANCE COSTS

Our finance costs mainly represent interest expenses on interest-bearing bank borrowings wholly repayable within five years as set out below.

	For the year ended 31 March			For the nine months ended 31 December	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Interest on:					
– bank loans and overdrafts	165	135	182	128	74
– obligation under finance lease	–	–	39	27	44
	<u>–</u>	<u>–</u>	<u>39</u>	<u>27</u>	<u>44</u>
<b>Total</b>	<b><u>165</u></b>	<b><u>135</u></b>	<b><u>221</u></b>	<b><u>155</u></b>	<b><u>118</u></b>

For the years ended 31 March 2014 and 2015, our secured bank loans carried interest at fixed rates ranging from 4.68% to 8.16% per annum. For the year ended 31 March 2016 and for the nine months ended 31 December 2016, our secured bank loans carried interest at a floating rate ranging from 1.94% to 2.98%. All the finance lease has been fully repaid May 2016.

### INCOME TAX EXPENSES

Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. Our Group's revenue during the Track Record Period was derived in Hong Kong and, therefore, our Group was subject to profits tax in Hong Kong. The provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the relevant estimated assessable profits for the Track Record Period. The effective tax rates of our Group for each of the years ended 31 March 2014, 2015, 2016 and for the nine months ended 31 December 2016 were approximately 19.3%, 16.6%, 16.2% and 18.1%, respectively.

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### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Nine months ended 31 December 2016 compared with nine months ended 31 December 2015

##### *Revenue*

Our Group's revenue increased by approximately HK\$93.3 million or approximately 19.4% from approximately HK\$481.0 million for the nine months ended 31 December 2015 to approximately HK\$574.3 million for the nine months ended 31 December 2016. Such increase in our revenue was primarily attributable to the aggregate effect of (i) four on-going projects, namely Project 30, Project 41, Project 46 and Project 49, were commenced in FY2016 and in full swing and generated approximately HK\$173.3 million revenue during the nine months ended 31 December 2016; and (ii) decrease in revenue of approximately HK\$88.1 million from approximately HK\$88.7 million for the nine months ended 31 December 2015 to approximately HK\$0.6 million for the nine months ended 31 December 2016 for our Project 22, which achieved significant completion in FY2016 and completed during the nine months ended 31 December 2016.

##### *Direct costs*

Direct costs increased from approximately HK\$426.0 million for the nine months ended 31 December 2015 to approximately HK\$494.3 million for the nine months ended 31 December 2016, representing an increase of approximately 16.0%. The increase was in line with the overall increase in total revenue of approximately 19.4%. Such increase was mainly attributable to the increase in our subcontracting fee and materials costs as a result of increase in our revenue.

While our direct costs increased by approximately 16.0%, our staff costs (including directors' remuneration) decreased from approximately HK\$316.5 million for the nine months ended 31 December 2015 to approximately HK\$279.5 million for the nine months ended 31 December 2016, representing a decrease of approximately 11.7%. Such decrease was mainly due to the shift of certain portion of works from our direct labour to subcontracting works since part of the workers of timber formwork projects were engaged as subcontractors and aluminium formwork projects generally adopt subcontracting works. As a result of this and overall increase in demand for subcontracting works, our subcontracting fee increased from approximately HK\$46.3 million for the nine months ended 31 December 2015 to approximately HK\$114.6 million for the nine months ended 31 December 2016, representing approximately 147.5% increase.

Our aggregated amount of staff costs (including directors' remuneration) and subcontracting fee increase from approximately HK\$362.8 million for the nine months ended 31 December 2015 to approximately HK\$394.1 million for the nine months ended 31 December 2016, representing approximately 8.6% increase. The increase was moderate comparing with the overall increase in total revenue of approximately 19.4%.

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### *Gross profit and gross profit margin*

Our gross profit increased from approximately HK\$55.0 million for the nine months ended 31 December 2015 to approximately HK\$80.1 million for the nine months ended 31 December 2016, representing an increase of approximately 45.6%. During the same period, our overall gross profit margin was approximately 11.4% and 13.9% respectively. The aforesaid overall increase in our gross profit margin was mainly attributable to the combined effect of followings:

- (i) Our timber formwork project, Project 35, which generated approximately HK\$20.8 million gross profit representing approximately 26.0% of our total gross profit, was mainly due to the more profitable variation orders performed during the said period, resulting in the increase of gross profit margin from approximately 10.5% for the nine months ended 31 December 2015 to 13.6% for the nine months ended 31 December 2016; and
- (ii) During the Track Record Period, our gross profit margin contributed from metal formwork projects was approximately nil, nil, 26.5% and 14.5%, respectively. Our gross profit contributed from metal formworks for the nine months period ended 31 December 2015 was solely contributed by Project 30. Our gross profit margin contributed from metal formworks for the nine months period ended 31 December 2016 was contributed by our two projects, namely Project 30 and Project 49, which had gross profit of approximately HK\$2.2 million and HK\$10.3 million, respectively and gross profit margin of approximately 5.5% and 22.1%, respectively. The significant decrease in our gross profit margin of our Group's metal formwork projects for the nine months ended 31 December 2016 was mainly due to extra costs incurred for Project 30 resulting from the unexpected changes and delay in the overall construction progress managed by the main contractor during the period. Project 30 has a constraint in construction as it is an above-station development project which is located at Nam Cheong Station, a traffic hub for Airport Express, Tung Chung line and West Rail Line of MTR and West Kowloon Highway, and the construction of 14 buildings and several podiums were carried out in the course of MTR operation. Despite the extra costs incurred for the nine months period ended 31 December 2016, the overall gross profit margin for Project 30, which the progress was completed over 90% as at 31 December 2016, was managed at approximately 16.5%. Our Directors confirm that this is an isolated delay case owing to the unexpected significant changes of main contractor on construction programme, which the number of project months was revised from 14 months to 19 months. Our Group will continue to communicate with the customer and follow-up for extra payments for the unexpected extension of time.

### *Other income*

Our other income increased by approximately HK\$0.7 million from approximately HK\$0.5 million for the nine months ended 31 December 2015 to approximately HK\$1.2 million for the nine months ended 31 December 2016, representing an increase of approximately 140.0%. Such increase was mainly attributable to increase in extraordinary income.



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### *Other losses*

Our other losses increased by approximately HK\$4,000 from approximately HK\$12,000 for the nine months ended 31 December 2015 to approximately HK\$16,000 for the nine months ended 31 December 2016, representing an increase of approximately 33.3%. Such increase was mainly attributable to the net foreign exchange loss incurred during the nine months ended 31 December 2016.

### *Administrative expenses*

Our administrative expenses increased from approximately HK\$8.3 million for the nine months ended 31 December 2015 to approximately HK\$19.4 million for the nine months ended 31 December 2016, representing an increase of approximately 133.7%. Such increase was mainly attributable to the listing expenses and increase in salaries.

Our listing expenses of approximately HK\$6.0 million were recorded for the nine months ended 31 December 2016 compared to nil for the nine months ended 31 December 2015. For more details, please refer to paragraph headed “Listing expenses” in this section.

### *Finance costs*

Finance costs decreased from approximately HK\$155,000 for the nine months ended 31 December 2015 to approximately HK\$118,000 for the nine months ended 31 December 2016, representing a decrease of approximately 23.9%. Such decrease was mainly attributable to the decrease in interest expense on bank loans and overdrafts.

### *Income tax expenses*

Our income tax expenses increased to approximately HK\$11.2 million for the nine months ended 31 December 2016 compared to approximately HK\$7.7 million for the nine months ended 31 December 2015. Such increase was mainly due to the increase in assessable profits of our Group during the nine months ended 31 December 2016. Our Group effective tax rate was 16.3% for the nine months ended 31 December 2015 and 18.1% for the nine months ended 31 December 2016 respectively.

### *Total comprehensive income for the year*

As a result of the foregoing, our total comprehensive income amounted to approximately HK\$50.6 million for the nine months ended 31 December 2016 as compared to approximately HK\$39.4 million for the nine months ended 31 December 2015.

## **Year ended 31 March 2016 compared to year ended 31 March 2015**

### *Revenue*

Our revenue increased from approximately HK\$483.3 million in FY2015 to approximately HK\$599.4 million in FY2016, representing an increase of approximately 24.0%. Such increase was primarily attributable to the (i) 12 new projects commenced in

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FY2016 generated approximately HK\$132.1 million; and (ii) three on-going projects, namely Project 25, Project 34 and Project 35, were commenced and generated approximately HK\$38.0 million revenue in FY2015 and in full swing and generated approximately HK\$208.4 million revenue in FY2016.

### *Direct costs*

Direct costs increased from approximately HK\$439.1 million in FY2015 to approximately HK\$529.3 million in FY2016, representing an increase of approximately 20.5%. The increase was in line with the overall increase in total revenue of approximately 24.0%. Such increase was mainly attributable to the combined effect of followings:

- (i) Our staff costs (including directors' remuneration) increased from approximately HK\$276.8 million in FY2015 to approximately HK\$331.5 million in FY2016 as a result of the increase of our site workers in order for us to undertake more sizable formwork works and to cope with our business growth, in particular for our sizable projects, namely Project 22, Project 34 and Project 35;
- (ii) Our subcontracting costs increased from approximately HK\$74.1 million in FY2015 to approximately HK\$113.9 million in FY2016, which was mainly due to the increase in our formwork works' revenue in FY2016 as compared to FY2015, in particular for our sizable projects, namely Project 22, Project 34 and Project 35; and
- (iii) Our material costs decreased from approximately HK\$67.0 million in FY2015 to approximately HK\$57.4 million in FY2016. This was mainly due to our Group repeatedly use of our timber and plywood for our sizable projects as the construction pattern and requirement are similar.

### *Gross profit and gross profit margin*

Our gross profit increased from approximately HK\$44.2 million in FY2015 to approximately HK\$70.1 million in FY2016, representing an increase of approximately 58.6%. During the same period, our overall gross profit margin increased from approximately 9.1% to approximately 11.7%. The aforesaid increase was mainly attributable to our two relatively high gross profit projects, namely Project 30 and Project 34, as a result of our timber, plywood and aluminum repeatedly use in the same projects which lead to the decreased in the quantity of timber, plywood and aluminum required to purchase for our projects.

### *Other income*

Other income increased from approximately HK\$468,000 in FY2015 to approximately HK\$882,000 in FY2016, representing an increase of approximately 88.5%. Such increase was mainly attributable to increase in the sales of scrap materials of approximately HK\$303,000.

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### *Other losses*

Other losses decreased from approximately HK\$815,000 in FY2015 to approximately HK\$11,000 in FY2016, representing a decrease of approximately 98.7%. Such decrease was mainly attributable to the net effect of (i) no impairment loss incurred on amount due from a related company in FY2016; and (ii) net foreign exchange loss of approximately HK\$11,000 incurred during FY2016.

### *Administrative expenses*

Administrative expenses increased from approximately HK\$8.0 million in FY2015 to approximately HK\$15.6 million in FY2016, representing an increase of approximately 95.0%. Such increase was mainly attributable to the listing expenses and increase in staff costs (including directors' remuneration).

Our listing expenses of approximately HK\$3.7 million were recorded in FY2016, compared to nil in FY2015. For more details, please refer to paragraph headed "Listing expense" in this section.

Our staff costs (including directors' remuneration) increased to approximately HK\$9.0 million in FY2016 compared to approximately HK\$6.2 million in FY2015, primarily due to the employment of our new financial controller and new management staffs, and increase in directors' remuneration in FY2016.

### *Finance costs*

Finance costs increased from approximately HK\$135,000 in FY2015 to approximately HK\$221,000 in FY2016, representing an increase of approximately 63.7%. Such increase was due to the new bank loan of approximately HK\$7.6 million raised in May 2015.

### *Income tax expenses*

Our income tax expenses increased to approximately HK\$8.9 million in FY2016 compared to approximately HK\$5.9 million in FY2015. Such increase was mainly due to the increase in assessable profits of our Group during FY2016. Our Group effective tax rate decreased from 16.6% in FY2015 to 16.2% in FY2016 mainly due to the decrease in the expenses not deductible for tax purpose as the amount due from a related company was impaired in FY2015.

### *Profit and total comprehensive income for the year*

As a result of the foregoing, our profit and total comprehensive income amounted to approximately HK\$46.2 million in FY2016 as compared to approximately HK\$29.7 million in FY2015.

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### Year ended 31 March 2015 compared to year ended 31 March 2014

#### *Revenue*

Our revenue increased significantly from approximately HK\$199.8 million in FY2014 to approximately HK\$483.3 million in FY2015, representing an increase of approximately 141.9%. The aforesaid increase was mainly attributable to Project 11, Project 17 and Project 18 which we commenced the relevant construction works in FY2014, and were in full swing in FY2015. We derived an aggregate revenue of approximately HK\$106.7 million from aforesaid projects during FY2015, comparing with an aggregate revenue of approximately HK\$29.2 million during FY2014. In addition, our new projects, Project 13, Project 16 and Project 22 further boosted up our revenue in FY2015 by approximately HK\$204.4 million.

Further details of the aforesaid projects are set out in the section headed “Business – Our formwork projects” in this prospectus.

#### *Direct costs*

Our direct costs increased from approximately HK\$182.8 million in FY2014 to approximately HK\$439.1 million in FY2015, representing an increase of approximately 140.2% which is in line with the overall increase in total revenue of approximately 141.9%. Such increase was mainly attributable to the followings:

- (i) Our staff costs (including directors’ remuneration) increased from approximately HK\$105.7 million in FY2014 to approximately HK\$276.8 million in FY2015, which mainly due to the increase in our number of site workers in order for us to undertake more formwork works projects, in particular for our sizable projects, namely Project 11, Project 17 and Project 18, which had commenced works in FY2014 and were in full swing in FY2015.
- (ii) Our material costs increased from approximately HK\$37.2 million in FY2014 to approximately HK\$67.0 million in FY2015 as a result of the increase in our formwork works revenue in FY2015 as compared to FY2014.
- (iii) Our subcontracting fee increased from approximately HK\$24.8 million in FY2014 to approximately HK\$74.1 million in FY2015, which primarily due to the increase in our engagement of subcontractors for formwork works along with the increase in our revenue for the FY2015 as compared to FY2014.

#### *Gross profit and gross profit margin*

Our gross profit increased from approximately HK\$17.0 million in FY2014 to approximately HK\$44.2 million in FY2015, representing an increase of approximately 160.0%. During the same period, our overall gross profit margin slightly increased from approximately 8.5% to approximately 9.1%. The aforesaid increase was mainly because we undertook several sizable private projects including Project 13 and Project 16 with relatively higher gross profit that, in aggregate, contributed approximately HK\$25.6 million gross profit which representing approximately 57.9% of the gross profit in FY2015. The slight

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increase in gross profit was mainly attributable to (i) Project 13, accounted for approximately 39.4% of our total gross profit for the year ended 31 March 2015 and had relatively high gross profit margin of approximately 14.2% for the year ended 31 March 2015; and (ii) Project 16, accounted for approximately 18.5% of our total gross profit for the year ended 31 March 2015 and had relatively high gross profit margin of approximately 20.9% for the year ended 31 March 2015. Such relatively high gross profit margin in our Project 13 and Project 16 was mainly due to (i) the repeatedly use of our timber and plywood for our Project 13 and Project 16 as these are the sizable projects with typical floors and multiple buildings, thus the construction patterns and requirements are similar; and (ii) the average wages of Project 13 and Project 16 are relatively lower as a result of efficient use of labour and skills in sizable projects. For our Project 13 and Project 16, the construction of which would take more than one phase and each phase has a number of towers with identical or similar construction pattern. The labours could therefore be familiar with the works, which can enhance their efficiency in carrying out the framework works. In sizable projects with long duration such as our Project 13 and Project 16, our workers are inclined to accept lower average daily wages when we committed to hire them.

### *Other income*

Other income increased from approximately HK\$16,000 in FY2014 to approximately HK\$468,000 in FY2015, representing an increase of approximately 2,825%. Such increase was mainly attributable to the one-off income of approximately HK\$159,000 received from the Subcontractors Cooperative Training Scheme held by the Construction Industry Council.

### *Other losses*

Other losses increased from nil in FY2014 to approximately HK\$815,000 in FY2015. Such increase was mainly attributable to the impairment loss on amount due from a related company, Pine Luck Development Limited, which was struck off in FY2015.

### *Administrative expenses*

Our administrative expenses increased from approximately HK\$6.0 million in FY2014 to approximately HK\$8.0 million in FY2015, representing an increase of approximately 33.3%. Such increase was mainly attributable to the increase in staff costs (including directors' remuneration).

Our staff costs (including directors' remuneration) increased by approximately HK\$2.0 million from approximately HK\$4.2 million in FY2014 compared to approximately HK\$6.2 million in FY2015, representing an increase of approximately 47.6%. Such an increase was primarily attributable to the employment of our new quantity surveying manager and hiring more full-time staff in FY2015.

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### *Finance costs*

Our finance costs decreased from approximately HK\$165,000 in FY2014 to approximately HK\$135,000 in FY2015, representing a decrease of approximately 18.2%. Such decrease was primarily due to the interest-bearing bank loan drawdown in November 2013, and its interest expense was decreased in proportion to its repayment amount.

### *Income tax expenses*

Our income tax expenses increased to approximately HK\$5.9 million in FY2015, compared to approximately HK\$2.1 million in FY2014. Such increase was mainly attributable to the increase in assessable profits of our Group during FY2015 as a result of significant increase in revenue by approximately 141.9%. Our Group's effective tax rate decreased from 19.3% in FY2014 to 16.6% in FY2015 mainly due to decrease in our losses incurred by Kin Wo and Mastery.

### *Profit and total comprehensive income for the year*

As a result of the foregoing, our profit and total comprehensive income amounted to approximately HK\$29.7 million in FY2015 as compared to approximately HK\$8.7 million in FY2014.

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### LIQUIDITY AND CAPITAL RESOURCES

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

	<b>For the year ended 31 March</b>			<b>For the nine months ended</b>	
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 December</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Operating cash flows before movements in working capital	<u>11,008</u>	<u>36,621</u>	<u>55,486</u>	<u>47,271</u>	<u>62,968</u>
Cash generated from operating activities	4,645	38,210	75,139	55,090	8,496
Income tax paid	<u>(1,101)</u>	<u>(1,916)</u>	<u>(8,707)</u>	<u>(379)</u>	<u>(1,398)</u>
Net cash generated from operating activities	3,544	36,294	66,432	54,711	7,098
Net cash generated from/ (used in) investing activities	5,658	(8,121)	(13,596)	(34,011)	(10,829)
Net cash (used in)/generated from financing activities	<u>(7,743)</u>	<u>(13,175)</u>	<u>(33,131)</u>	<u>(11,355)</u>	<u>10,474</u>
Net increase in cash and cash equivalents	1,459	14,998	19,705	9,345	6,743
Cash and cash equivalent at the beginning of the year/period	<u>4,047</u>	<u>5,506</u>	<u>20,504</u>	<u>20,504</u>	<u>40,209</u>
<b>Cash and cash equivalent at the end of the year/ period</b>	<u><u>5,506</u></u>	<u><u>20,504</u></u>	<u><u>40,209</u></u>	<u><u>29,849</u></u>	<u><u>46,952</u></u>

### NET CASH FROM OPERATING ACTIVITIES

Our cash inflow from operating activities is primarily generated from formwork works. During the Track Record Period, our cash outflow for operating activities is primarily related to staff costs, purchase of materials, subcontracting fee and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of formwork works projects and the settlement of trade receivables by our customers and trade payables by our Group.

During the Track Record Period, our Group recorded a significant increase in the amount of income tax paid from approximately HK\$1.1 million in FY2014 to approximately HK\$1.9 million in FY2015 and further increased to approximately HK\$8.7 million in FY2016. Since our income tax paid in FY2016 was primarily related to the final tax for the

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year of assessment 2014/15 and the provisional tax for the year of assessment 2015/16, and such provisional tax was computed based on the same amount of profits assessed in the year of assessment 2014/15. Therefore, our significant increase in the amount of tax paid in FY2016 was mainly attributable to the significant increase in our Group's revenue in FY2015, which resulted in the significant increase in Hong Kong profits tax assessed for the year of assessment 2014/15 by approximately HK\$4.1 million when compared with the year of assessment 2013/14, and resulted in the higher provisional tax for the year of assessment 2015/16.

For the nine months ended 31 December 2016, our net cash generated from operating activities amounted to approximately HK\$7.1 million, while our cash inflow from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$63.0 million. The difference of approximately HK\$55.9 million was mainly attributable to (i) increase in our trade and other receivables of approximately HK\$94.5 million, which was mainly attributable to the trade and other receivables for Customer A, Customer H, Customer I and Customer J; and (ii) increase in trade and other payables of approximately HK\$47.5 million.

In FY2016, our net cash from operating activities amounted to approximately HK\$66.4 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$55.5 million. The difference of approximately HK\$10.9 million was mainly attributable to (i) decrease in trade and other receivables of approximately HK\$28.8 million in relation to Project 13, Project 16 and Project 22; (ii) increase in amounts due from customers for contract work of approximately HK\$20.9 million in connection to Project 11, Project 17, Project 27, Project 28 and Project 30; and (iii) decrease in trade and other payables of approximately HK\$2.9 million primarily in relation to the decrease in our accrued salaries.

In FY2015, our net cash from operating activities amounted to approximately HK\$36.3 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$36.6 million. The difference of approximately HK\$0.3 million was mainly attributable to the (i) increase in trade and other receivables of approximately HK\$44.8 million, which was mainly attributable to the trade and other receivables for Customer A and Customer B; and (ii) increase in trade and other payables of approximately HK\$34.2 million.

In FY2014, our net cash from operating activities amounted to approximately HK\$3.5 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$11.0 million. The difference of approximately HK\$7.5 million was mainly attributable to the (i) increase in trade and other receivables of approximately HK\$19.1 million, which was mainly attributable to the trade and other receivables for Customer A and Customer B; (ii) increase in amounts due from customers for contract work of approximately HK\$12.2 million in connection to Project 8 of approximately HK\$8.0 million and Project B of approximately HK\$6.2 million; and (iii) increase in trade and other payables of approximately HK\$23.1 million due to the increase in purchase materials, as a result of the increase in construction activities.



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### NET CASH FROM/(USED IN) INVESTING ACTIVITIES

Our cash outflow for investing activities was primarily utilised for advances to related companies and a director and purchase of fixed assets . During the Track Record Period, our cash inflow from investing activities was primarily derived from repayments from directors.

For the nine months ended 31 December 2016, our net cash used in investing activities amounted to approximately HK\$10.8 million which was mainly related to purchase of tools of approximately HK\$9.8 million and purchase of motor vehicle of approximately HK\$1.0 million.

In FY2016, our net cash used in investing activities amounted to approximately HK\$13.6 million which was mainly related to the cash outflow of approximately HK\$14.6 million related to the advances to our Directors, Mr. Leung and Mrs. Leung.

In FY2015, our net cash used in investing activities amounted to approximately HK\$8.1 million which was mainly related to the cash outflow of approximately HK\$8.7 million related to advances to our Directors, Mr. Leung and Mrs. Leung.

In FY2014, our net cash generated from investing activities amounted to approximately HK\$5.7 million which was mainly related to (i) the cash inflow of approximately HK\$6.1 million from the repayments from our Directors, Mr. Leung and Mrs. Leung; and (ii) approximately HK\$0.4 million utilised to the advances to related companies.

### NET CASH (USED IN)/FROM FINANCING ACTIVITIES

Our cash inflow from financing activities was primarily generated from the new bank borrowing raised and advances from our Directors. During the Track Record Period, our cash used in financing activities primarily consisted of repayment of principal and interest for bank loans as well as dividend paid.

For the nine months ended 31 December 2016, our net cash generated from financing activities amounted to approximately HK\$10.5 million which was mainly due to the new interest-bearing bank loan of approximately HK\$15.0 million.

In FY2016, our net cash used in financing activities amounted to approximately HK\$33.1 million, which was mainly attributable to (i) approximately HK\$34.5 million cash paid for dividends declared in FY2016; (ii) approximately HK\$1.3 million for repayment of principal and interest for bank loan; and (iii) approximately HK\$3.0 million generated from the advances from directors.

In FY2015, our net cash used in financing activities amounted to approximately HK\$13.2 million, which was mainly attributable to (i) approximately HK\$12.3 million cash paid for dividends declared in FY2015; and (ii) approximately HK\$0.9 million for repayment of principal and interest for bank loan.

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In FY2014, our net cash used in financing activities amounted to approximately HK\$7.7 million which was mainly attributable to (i) approximately HK\$7.9 million cash paid for dividends declared in FY2014; (ii) approximately HK\$0.7 million for repayment of principal and interest for bank loan; and (iii) approximately HK\$0.8 million generated from the new interest-bearing bank loan.

### SUFFICIENCY OF WORKING CAPITAL

Taking into account the cash generated from operating activities and the net proceeds of the Share Offer, our Directors are satisfied that we will have sufficient working capital for our Group's present requirements during the 12 months following the date of this prospectus.

### COMMITMENTS

During the Track Record Period, our commitments consisted of operating lease commitments in relation to the lease of our office premises and equipment.

### OPERATING LEASE COMMITMENT

#### Our Group as lessee

	<b>For the year ended 31 March</b>			<b>For the nine months ended 31 December 2016</b>	<b>For the twelve months ended 31 March 2017</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments paid under operating leases					<i>(unaudited)</i>
– Premises	779	769	647	816	1,041
– Equipment	<u>2,699</u>	<u>5,614</u>	<u>7,377</u>	<u>11,616</u>	<u>15,428</u>
	<u>3,478</u>	<u>6,383</u>	<u>8,024</u>	<u>12,432</u>	<u>16,469</u>

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Our Group leases its office premises and equipment. Lease is negotiated for an average term of two years. At the end of each reporting period, our Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March			As at 31 December	As at 31 March
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Within one year	488	20	367	69	92
In the second to fifth years inclusive	—	3	7	3	1
	<u>488</u>	<u>23</u>	<u>374</u>	<u>72</u>	<u>93</u>

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### NET CURRENT ASSETS

#### Composition of our net current assets position

As at 31 March 2014, 2015, 2016, 31 December 2016 and 31 March 2017, we recorded net current assets of approximately HK\$21.7 million, HK\$37.1 million, HK\$17.4 million, HK\$53.4 million and HK\$73.9 million, respectively.

	As at 31 March			As at 31 December	As at 31 March
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
<b>Current assets</b>					
Trade and other receivables	27,415	72,205	43,416	137,886	128,268
Amounts due from customers for contract work	22,985	23,744	44,678	49,119	51,142
Amounts due from related companies	2,923	1,567	7,235	–	–
Amounts due from directors	5,719	14,381	–	–	–
Tax recoverable	–	197	–	–	–
Bank balances and cash	5,506	20,504	40,209	46,952	38,942
	<u>64,548</u>	<u>132,598</u>	<u>135,538</u>	<u>233,957</u>	<u>218,352</u>
<b>Current liabilities</b>					
Trade and other payables	33,194	67,396	64,510	111,980	85,638
Amounts due to customers for contract work	2,922	15,858	30,542	27,511	22,711
Amount due to ultimate holding company	–	–	–	2,500	150
Amounts due to directors	–	–	2,954	113	112
Obligation under finance lease	–	–	240	–	–
Bank borrowings	1,570	789	7,235	15,000	27,527
Tax payable	5,142	11,407	12,686	23,465	8,303
	<u>42,828</u>	<u>95,450</u>	<u>118,167</u>	<u>180,569</u>	<u>144,441</u>
	<u>21,720</u>	<u>37,148</u>	<u>17,371</u>	<u>53,388</u>	<u>73,911</u>

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Our Group recorded an increase in net current assets position by approximately HK\$15.4 million as at 31 March 2015 as compared to the previous year. This was mainly attributable to the increase in bank balance and cash, and trade and other receivables generated from our profitable operations, partially offset by an increase in amounts due to customers for contract work. As at 31 March 2016, our Group's net current assets position decreased to approximately HK\$17.4 million mainly due to (i) increase in bank borrowings of approximately HK\$6.4 million in FY2016 attributable to the new bank loan raised of HK\$7.6 million; (ii) increase in amounts due to customers for contract work of approximately HK\$14.7 million; and (iii) decrease in trade and other receivables of approximately HK\$28.8 million.

As at 31 December 2016, our Group's net current assets position increased to approximately HK\$53.4 million primarily due to the increase in our trade and other receivables and our amounts due from customers for contract work.

As at 31 March 2017, our Group's net current assets position increased to approximately HK\$73.9 million primarily due to the increase in our bank balances.

### TRADE AND OTHER RECEIVABLES ANALYSIS

Our trade and other receivables consisted of (i) trade receivables; (ii) retention money receivables; and (iii) deposits, prepayment and other receivables. The following table sets out the breakdown of trade and other receivables as at the respective dates indicated:

	<b>As at 31 March</b>			<b>As at 31</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>December</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	22,244	60,716	27,945	103,452
Retention money receivables	4,982	11,277	14,338	30,200
Deposits, prepayments, and other receivables	189	212	1,133	4,234
	<u>27,415</u>	<u>72,205</u>	<u>43,416</u>	<u>137,886</u>

#### Trade receivables

Our trade receivables represent the amounts of contract work performed by us that the payment applications certified by the customers, but not yet paid by the customers. In general, our Group 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 construction works projects. The credit terms we granted to our customers vary from contract to contract. Such credit terms may make reference to the payment certificate date or payment application date, depending on the terms of individual contracts, typically ranged from 17 days to 30 days from our payment application date.

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The following table sets out our trade receivables during the Track Record Period:

	For the year ended 31 March			For the nine months ended 31 December
	2014	2015	2016	2016
Trade receivables ( <i>HK\$'000</i> )	22,244	60,716	27,945	103,452
Revenue ( <i>HK\$'000</i> )	199,813	483,330	599,354	574,342
Turnover days of trade receivables ( <i>Note</i> )	25 days	31 days	27 days	31 days

*Note:* The trade receivables turnover days for a given year/period is calculated based on the average of beginning and ending total trade receivables balance as at the year end/period end divided by revenue for that year/period and multiplied by the number of days of the year/period (i.e. 365 days for a full year and 270 days for the nine months ended 31 December).

As our business operates on a non-recurring and project-by-project basis, our revenue recognised during the Track Record Period may fluctuate subject to the size and progress of our construction works contracts at a given time, thereby affecting our trade receivables balances as at the respective year ends, and the trade receivables turnover days during the Track Record Period.

Whilst our revenue increased from approximately HK\$199.8 million in FY2014 to approximately HK\$483.3 million in FY2015, our trade receivables increased from approximately HK\$22.2 million as at 31 March 2014 to approximately HK\$60.7 million as at 31 March 2015. Despite our Group's revenue has increased further to approximately HK\$599.4 million in FY2016, our trade receivables decreased to approximately HK\$27.9 million as at 31 March 2016.

During the Track Record Period, our Group's trade receivables turnover days were approximately 25 days, 31 days, 27 days and 31 days for the three years ended 31 March 2016 and for the nine months ended 31 December 2016. The increase in trade receivables turnover days from approximately 25 days for the year ended 31 March 2014 to approximately 31 days for the year ended 31 March 2015 was mainly attributable to the significant increase in our trade receivables near the year ended 31 March 2015.

The decrease in trade receivables turnover days from approximately 31 days for the year ended 31 March 2015 to approximately 27 days for the year ended 31 March 2016 was mainly attributable to the decrease in our trade receivables from approximately HK\$60.7 million in FY2015 to approximately HK\$27.9 million in FY2016 as a result of more works certified during FY2016 instead of near the year ended 31 March 2016. The increase in trade receivables turnover days from approximately 27 days for the year ended 31 March 2016 to approximately 31 days for the nine months ended 31 December 2016 was mainly attributable to the increase in our trade receivables from approximately HK\$27.9 million as at 31 March 2016 to approximately HK\$103.5 million as at 31 December 2016 as a result of more works certified in December 2016.

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The following table sets out an aging analysis of our trade receivables as of the dates indicated:

	As at 31 March			As at 31 December	Subsequent settlement up to the Latest Practicable Date	
	2014	2015	2016	2016	HK\$'000	%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
0 to 30 days	22,244	60,716	27,945	103,441	103,441	100.0
31 to 60 days	—	—	—	11	—	—
	<u>22,244</u>	<u>60,716</u>	<u>27,945</u>	<u>103,452</u>	<u>103,441</u>	<u>99.9</u>

Up to the Latest Practicable Date, 99.9% of our trade receivables as at 31 December 2016 had been settled.

We did not make any provision for doubtful debt in respect of trade receivables during the Track Record Period. When determining the provision of doubtful debts, our Directors would consider individual customers on a case-by-case basis, and will take into account the factors including but not limited to, the customers' credit history, customers' reputation and customers' financial condition. Our directors consider that there has not been a significant change in credit quality of the trade receivables and there was no recent history of default; therefore, the amounts of receivables are considered recoverable.

### Retention money receivables

Retention money receivables represent the retention money required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money depends on negotiations between the parties, which are 5.0% or 10.0% of the value of works certified, and is subject to a maximum retention of 5.0% of the total original contract value. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may be subject to the completion of the contract works, or a pre-agreed time period after the completion of the contract works.

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Our retention money receivables amounted to approximately HK\$5.0 million, HK\$11.3 million, HK\$14.3 million and HK\$30.2 million as at 31 March 2014, 2015, 2016 and 31 December 2016, respectively. The following table sets forth ageing analysis of retention money receivables, based on the payment certificate date, as at the end of each year of the Track Record Period as follow:

	As at 31 March			As at 31	Subsequent	
	2014	2015	2016	December	settlement up to the	
	HK\$'000	HK\$'000	HK\$'000	2016	Latest Practicable	
				HK\$'000	HK\$'000	%
0 to 60 days	641	1,758	1,586	3,106	–	–
61 to 90 days	614	1,328	687	3,077	–	–
91 to 180 days	1,290	1,747	1,893	8,974	–	–
Over 180 days but less than 1 year	2,437	4,269	2,897	5,542	–	–
Over 1 year	–	2,175	7,275	9,501	–	–
	<u>4,982</u>	<u>11,277</u>	<u>14,338</u>	<u>30,200</u>	<u>–</u>	<u>–</u>
Neither past due nor impaired	<u>4,982</u>	<u>11,277</u>	<u>14,338</u>	<u>30,200</u>	<u>–</u>	<u>–</u>

As at 31 March 2014, 2015, 2016 and 31 December 2016, our retention money receivables amounted to approximately HK\$5.0 million, HK\$11.3 million, HK\$14.3 million and HK\$30.2 million, respectively. No retention money receivable balances of our Group were past due at each reporting period end. Up to the Latest Practicable Date, none of our retention money receivables as at 31 December 2016 were subsequently received.

As the release of retention money varies from contract to contract, which may be subject to, completion of the contract works or a pre-agreed time period after the completion of the contract works, our Directors consider that it is common that these balances vary from period to period. When determining whether or not it is necessary to make impairment on retention money receivables, our Directors would consider individual customers on a case-by-case basis, and will take into account the factors including, but not limited to, the customers' credit history, reputation and financial condition. During the Track Record Period, our Group did not experience material difficulty in collecting the retentions receivable from customers and accordingly did not make any impairment in this regard.



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### Deposits, prepayments and other receivables

The following table sets out our deposits, prepayments and other receivables as of the dates indicated:

	As at 31 March			As at 31
	2014	2015	2016	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Deposits and other receivables	184	199	234	1,211
Prepayments	5	13	899	3,023
	189	212	1,133	4,234

Deposits, prepayments and other receivables mainly consist of rental deposit, utilities deposits, and prepayments to staff injured in the course of works in accordance with the Employees' Compensation Ordinance, before settlement of the employee compensation claim to be handled by the insurance company.

As at 31 March 2016, deposits, prepayments and other receivables in current assets amounted to approximately HK\$1.1 million which were primarily related to utility deposit and prepayment for listing expenses. The deposits, prepayment and other receivables balance of our Group remained relatively stable at approximately HK\$0.2 million and HK\$0.2 million, as at 31 March 2014 and 2015, and further increased to approximately HK\$1.1 million as at 31 March 2016, primarily due to the prepayment for listing expenses of approximately HK\$0.9 million. As at 31 December 2016, deposits, prepayments and other receivables in current assets amounted to HK\$4.2 million which was primarily related to prepayment for listing expense.

### AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

Our revenue from construction contracts is recognised based on the stage of completion of the construction contracts. The stage of completion is established by reference to contract works certified by the customers. Generally, for projects recognised under construction contracts, we apply for progress billing to reflect our works performed every month, and our customers issue a payment certificate certifying the portion of works completed after inspection. As it takes time for the payment certificates to be issued, there is normally a timing difference between the completion of site works, the issuance of payment certificates and the billing of the construction projects.

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Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. The following table sets out the amounts due from/to customers for contract work as at the end of each financial year/period as indicated.

	As at 31 March			As at 31 December
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Contracts in progress at the end of each reporting period:</b>				
Contract costs incurred plus recognised profits less recognised losses	255,880	725,267	1,109,240	1,598,899
Less: progress billings received and receivable	<u>(235,817)</u>	<u>(717,381)</u>	<u>(1,095,104)</u>	<u>(1,577,291)</u>
	<u>20,063</u>	<u>7,886</u>	<u>14,136</u>	<u>21,608</u>

	As at 31 March			As at 31 December
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Analysed for reporting purpose as:</b>				
Amounts due from customers for contract work	22,985	23,744	44,678	49,119
Amounts due to customers for contract work	<u>(2,922)</u>	<u>(15,858)</u>	<u>(30,542)</u>	<u>(27,511)</u>
	<u>20,063</u>	<u>7,886</u>	<u>14,136</u>	<u>21,608</u>

### *Amounts due from customers for contract work*

As at 31 March 2014, 2015, 2016 and 31 December 2016, our amounts due from customers for contract work were approximately HK\$23.0 million, HK\$23.7 million, HK\$44.7 million and HK\$49.1 million respectively. Such amounts were primarily attributable to works completed but our Group was yet to bill the whole value of construction works performed, as we did not receive the interim payment certificate and final accounts for the amount of certain variation order works and contract works from the customer.

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The amount of approximately HK\$49.1 million due from customers for contract work as at 31 December 2016, approximately HK\$26.0 million had been subsequently billed up to the Latest Practicable Date. Of such amount of approximately HK\$26.0 million where subsequent billings had taken place, approximately HK\$22.7 million had been subsequently settled by the relevant customers up to the Latest Practicable Date.

Of the amounts of approximately HK\$49.1 million due from customers for contract work as at 31 December 2016, approximately HK\$23.1 million had not yet been subsequently certified nor settled by our customers up to the Latest Practicable Date.

Of which approximately HK\$15.0 million out of approximately HK\$23.1 million was the amounts due from our Customer A and Customer B, relating to our Project 6 and Project 17 which the variation order works and contract works completed or to be completed in June 2014 and January 2016, and the balances yet to further receive the interim payment certificate or final accounts from the customers up to the Latest Practicable Date were approximately HK\$3.3 million and HK\$6.7 million, respectively. Such delay in issuance of the payment certificate or final accounts was mainly due to the processing time involved in reviewing and certifying the completed works by our customers which included some variation works. As it takes time for customer to review and certify the work performed based on our application, it generally takes approximately six to 24 months to issue the final accounts after the date of completion. For our Project 6, it takes more than 24 months for our customer to certify and issue the final accounts mainly due to the change of authorised project personnel of our Customer B which required extra time to review and certify the works that we claimed. There are no disputes or disagreements between our Group and the customers in connection with our such projects. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has continuously communicated with our Customer B in relation to the status of our final account for Project 6 and it is still under review by our Customer B. Our Directors consider that based on their previous experience during and before the Track Record Period, it is not uncommon to take more than 36 months for our customer to certify and issue the final accounts. Furthermore, we have awarded a project, namely Project 35, with the original contract sum of approximately HK\$138.7 million from our Customer B after the completion of our Project 6 and received other tender invitations from Customer B during the Track Record Period. Our Directors consider that no impairment of amounts due from customers for contract work for Project 6 is necessary. The expected date of receipt of the final accounts will be in June 2017 and December 2017 for our Project 6 and Project 17, respectively.

Based on the above and the fact that (i) we have on-going business relationships with Customer A and Customer B and we have not received any notice of disagreement on our final payment application from these customers as at the Latest Practicable Date; (ii) our customers generally take longer period to approve the variation works and final accounts as compared to the interim payments by the relevant parties; and (iii) we have received all interim payments timely on the same projects and we are not aware of the deterioration of the credit quality of these customers. Our Directors consider that no impairment of amounts due from customers for contract work is necessary.

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### *Amounts due to customers for contract work*

As at 31 March 2014, 2015, 2016 and 31 December 2016, our amounts due to customers for contract work were approximately HK\$2.9 million, HK\$15.9 million, HK\$30.5 million and HK\$27.5 million respectively. For contracts where interim payments (progress billings) exceed contract costs incurred to date plus recognised profits less recognised losses, the excess is shown as amounts due to customers for contract work (please refer to the paragraph headed “Construction contracts” under note 4 of the Accountants’ Report in Appendix I to this prospectus for further details). The breakdown of amounts due to customers for contract work as at 31 March 2014, 2015, 2016 and 31 December 2016 is set out below.

	<b>As at 31 March</b>			<b>As at 31</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>December</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<b>2016</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Contract costs incurred to date	32,342	262,079	420,333	790,790
Recognised profits to date	3,478	39,619	70,754	127,161
Less: Progress billings to date	<u>(38,742)</u>	<u>(317,556)</u>	<u>(521,629)</u>	<u>(945,462)</u>
<i>Amounts due to customers for contract works</i>	<u><u>(2,922)</u></u>	<u><u>(15,858)</u></u>	<u><u>(30,542)</u></u>	<u><u>(27,511)</u></u>

For those contracts with recognised profits, since the contract costs are recognised as expense in profit or loss account by reference to the percentage of completion measured based on surveys of work performed as certified by the quantity surveyors of the customers at the end of the reporting period (which is in line with the method used by a number of our industry peers to determine the stage of completion of their construction contracts) and since progress billings and payments are made based on such surveys of work performed, any excess of contract costs recognised to date as expense over the actual contract costs incurred to date will be the amounts due to customers for contract work. The amounts represent the portion of contract costs yet to be incurred for the completion of the contract that does not correspond with the remaining contract costs yet to be recognised as expense based on percentage of completion method. Such amounts were primarily attributable to the sizable contracts in progress for which the estimated total contract costs include costs that relate to the ancillary services and rectification of works activities in the construction and post-construction stages of the projects. A high proportion of these ancillary and rectification costs may not have been incurred yet up to the reporting date but a high proportion of such costs may have been reflected in the contract costs recognised as expense when we recognised contract revenue and costs in our profit or loss account by reference to the percentage of completion at the reporting date.

Whilst interim payments are certified and paid to us based on the certified amount of works carried out in the prescribed period, we would recognise the relevant amount of contract revenue and costs by reference to the percentage of completion. However, we may incur actual contract costs less than the corresponding contract costs recognised as expense at the end of reporting period resulting in amounts due to customers for contract work.

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These amounts due to customers for contract work often relate to the costs of the ancillary works and rectification works which are not yet incurred and are not particularly certified by our customers in interim payment certificates. As the interim certifications will only reflect the work performed as certified by the customers' quantity surveyors, the excess of contract costs recognised as expense in accordance with percentage of completion over the actual contract costs incurred thereby will be accumulated throughout the project and recorded as amounts due to customers for contract work as liabilities (provisions) before such works are done. Our Group will utilise these provisions when the actual contract costs for such works are incurred by charging these incurred costs against amounts due to customers for contract work and recognise any excess as additional contract expense once our estimates of such costs from our suppliers and subcontractors are revised. Our customers will specify these works as being one of components of the contract in their certifications only in the final accounts when the project is completed. After completion of all the contract works, including but not limited to ancillary and rectification works, our Group will issue final payment application and request our customers to issue the final accounts. The remaining contract revenue and costs will then be recognised in profit or loss upon receipt of the certification of completion of all contract works. The outstanding amounts in final accounts appearing as trade receivables will then be settled based on the credit period stated in contracts.

We do not treat revenue from the ancillary and rectification works separately from revenue from the construction of the formworks. This is generally in line with the practice of our industry peers. Our defects liability obligations and obligations to carry out ancillary services do not provide our customers with a service in addition to the assurance that the formworks that we construct comply with agreed-upon specifications by allowing the concrete structure to form the desired shape. Hence, our contracts for construction of formworks are not segmented into separately identifiable components. Rather than treating such obligations in our construction contracts as separately identifiable components of the contracts, we treat them as additional contract costs, in the same way and for the same reasons that producers of goods treat costs relating to normal warranty provisions as additional cost of sales at the time when the sales of the goods to which they relate are recognised as revenue.

Thus amounts due to customers for contract work is formed as a result of the inevitable timing difference between the recognition of contract costs as expense according to the percentage of completion when revenue was recognised by reference to the percentage of completion and actual contract costs incurred and is in accordance with the generally accepted accounting practice in Hong Kong of recognising contract revenue and costs using the percentage of completion method based on surveys of work performed. The balance of amounts due to customers for contract work will be reduced when more actual contract costs, particularly for ancillary and rectification works, are incurred towards the completion of the contracts. During the Track Record Period, the amounts due to customers for contract work mainly represent (i) the lump-sum subcontracting fee to be recognised upon completion of the contract works based on the practice with the subcontractors in accordance with the recognition of financial liabilities; (ii) the estimated costs for site clearance upon completion of the contract works in particular for Project 34 and Project 35 due to removal of significant amounts of metal scaffold equipment that requires complex technical skills, replacement costs for wear and tear and clearance for and other construction materials; and

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(iii) the estimated costs for rectification works due to defects expected to be carried out at the post-construction stage upon the quality control assessment by the customers in order to meet their up-to-date standards. Furthermore, if the contract is sizeable and there are substantial outstanding estimated costs for ancillary works or rectification works yet to be carried out at the reporting date, the amount due to customers for contract work as at the reporting date would be more substantial when costs for the contract as a whole are recognised as expense by reference to the percentage of completion, which are larger than that of the actual contract costs incurred. As at 31 December 2016, the amounts due to customers for contract works included two sizeable projects, namely, Project 34 and Project 35, which contract costs recognised as expense exceeded the actual cost incurred by approximately HK\$3.1 million and HK\$8.0 million, respectively. The excess was attributable mainly to the outstanding ancillary works and rectification works. The estimated total amount of ancillary works and rectification works for our Project 34 and Project 35 were approximately HK\$16.7 million and HK\$10.3 million, respectively. The original contract sums of Project 34 and Project 35 were approximately HK\$106.0 million and HK\$138.7 million.

Based on the above, our amounts due to customers for contract work increased from approximately HK\$2.9 million as at 31 March 2014 to approximately HK\$15.9 million as at 31 March 2015. Such increase was mainly attributable to the excess of contract costs provided over the actual contract costs incurred representing mainly the ancillary works and rectification works of our two additional sizable projects engaged during the year ended 31 March 2015 namely Project 13 and Project 16 which amounted to approximately HK\$6.8 million and HK\$2.5 million as at 31 March 2015. The estimated total amount of ancillary works and rectification works for Project 13 and Project 16 were approximately HK\$16.1 million and HK\$7.9 million, respectively. Project 13 and Project 16 were formwork works in relation to the residential development at Sha Po Tsuen in Yuen Long and lot 66A in Tseung Kwan O for the year ended 31 March 2015. As at 31 March 2016, our amounts due to customers for contract work was approximately HK\$30.5 million which increased from approximately HK\$15.9 million as at 31 March 2015. Such increase was mainly attributable to (i) the ancillary works and rectification works of our Project 34, which amounted to approximately HK\$9.9 million as at 31 March 2016, is formwork works in relation to the residential development at Sha Po Tsuen in Yuen Long; and (ii) the ancillary works and rectification works of our Project 35, which amounted to approximately HK\$15.3 million as at 31 March 2016, is formwork works in relation to the commercial development at Salisbury Road in Tsim Sha Tsui. As at 31 December 2016, our amount due to customers for contract work was approximately HK\$27.5 million which decreased from approximately HK\$30.5 million as at 31 March 2016. Such decrease was mainly attributable to the reduction of balances in Project 34 and Project 35 when it closes to the final stage, the effects of which were offset to a certain extent by our Project 49 commenced in this period which mainly attributable to the ancillary works and rectification works of approximately HK\$4.4 million out of total estimated costs of ancillary works and rectification works for Project 49 of approximately HK\$15.7 million. Our Project 49 is formwork works in relation to the residential development at LOHAS Park in Tseung Kwan O.

The amounts due from/to customers for contract work are typically affected by the value of works we performed close to the end of each reporting period, the timing of receiving certificates, and the timing difference between the contract cost recognised as

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expense by reference to the percentage of completion and the actual cost incurred thus, the amounts vary from period to period. Furthermore, considering the vast number of items related to construction works projects, negotiation with customers for the value of work, performed by us set out in the payment certificates is common.

### TRADE AND OTHER PAYABLES ANALYSIS

Our trade and other payables consisted of (i) trade payables; (ii) advances received from customers for contract work; and (iii) accruals and other payables. The following table sets out the breakdown of trade and other payables as at the respective dates indicated:

	As at 31 March			As at 31 December
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	11,697	12,588	12,205	17,777
Advances received from customers for contract work	–	9,891	12,400	12,500
Accruals and other payables	<u>21,497</u>	<u>44,917</u>	<u>39,905</u>	<u>81,703</u>
	<u>33,194</u>	<u>67,396</u>	<u>64,510</u>	<u>111,980</u>

### Trade payables

Our trade payables are primarily related to the purchases of construction materials.

The following table sets out our turnover days of trade payables during the Track Record Period:

	For the year ended 31 March			For the nine months ended 31 December
	2014	2015	2016	2016
Trade payables ( <i>HK\$'000</i> )	11,697	12,588	12,205	17,777
Direct costs (adjusted for excluding certain direct costs) ( <i>Note</i> ) ( <i>HK\$'000</i> )	52,237	88,208	83,820	100,206
Turnover days of trade payables ( <i>Note</i> )	45 days	50 days	54 days	40 days

*Note:* The trade payables turnover days for a given year/period is calculated based on the average of beginning and ending total trade payables balance as at the year end/period end divided by the direct costs (excluding staff costs (including directors' remuneration) and subcontracting fee which directly involved in projects) for that year/period and multiplied by the numbers of days of the year or period (i.e. 365 days for a full year and 270 days for the nine months ended 31 December).

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Whilst our direct costs increased from approximately HK\$182.8 million in FY2014 to approximately HK\$439.1 million in FY2015, our trade payables increased from approximately HK\$11.7 million as at 31 March 2014 to approximately HK\$12.6 million as at 31 March 2015. Despite our Group's direct costs increased further to approximately HK\$529.3 million in FY2016, our trade payables decreased to approximately HK\$12.2 million as at 31 March 2016 due to the decrease in credit purchase during near the end of FY2016.

As our business operates on a non-recurring and project-by-project basis, our direct costs incurred during the Track Record Period may fluctuate, subject to the size and the progress of our construction works at a given time, thereby affecting our trade payables balance as at the respective year ends and the trade payables turnover days during the Track Record Period. During the Track Record Period, our Group's trade payables turnover days were approximately 45 days, 50 days, 54 days and 40 days respectively which were in line with our practice to settle the payment for our suppliers and subcontractors within 30 to 60 days from invoice date. In FY2015, our Group's turnover days of trade payables increased to approximately 50 days from approximately 45 days in FY2014. Such increase was mainly attributable to the increase in our Group's trade payables as a result of increase in our credit purchase near the end of FY2015. In FY2016, our Group's turnover days of trade payables increased from approximately 50 days in FY2015 to approximately 54 days in FY2016. Such increase was mainly attributable to the decrease in the adjusted direct costs as a result of the decrease in our Group's costs of materials due to our Group repeatedly use of timber and plywood for our sizable projects as the construction pattern and requirement are similar. For the nine months ended 31 December 2016, our Group's trade payables turnover day decreased to approximately 40 days from approximately 54 days in FY2016. Such decrease was mainly attributable to the increase in our Group's trade payables relatively lower than the increase in our direct costs for the nine months ended 31 December 2016.

The following is an aging analysis of the trade payables as at each reporting dates:

	As at 31 March			As at 31 December	Subsequent settlement up to the Latest Practicable Date	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	HK\$'000	%
0 to 30 days	5,469	7,366	3,338	5,869	5,869	100.0
31 to 60 days	3,388	5,222	6,849	7,264	7,264	100.0
61 to 90 days	2,490	–	1,730	4,622	4,622	100.0
Over 90 days	350	–	288	22	22	100.0
	<u>11,697</u>	<u>12,588</u>	<u>12,205</u>	<u>17,777</u>	<u>17,777</u>	<u>100.0</u>



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In FY2015, we consumed more materials such as timber and plywood to perform works on certain sizable projects. As the purchases of construction materials are generally settled by way of account with credit terms of 30 to 60 days, the increase in credit purchase of our materials boosted up our trade payables in FY2015. In FY2016, we repeatedly use of our timber and plywood for our sizable projects which lead to the decrease in the quantity of timber and plywood required to purchase. Thus, our trade payables decreased in FY2016.

Up to the Latest Practicable Date, all of our trade payables as at 31 December 2016 had been settled.

### **Advances received from customers for contract work**

As at each of 31 March 2014, 2015, 2016 and 31 December 2016, the advances received from customers for contract work were nil, approximately HK\$9.9 million, HK\$12.4 million and HK\$12.5 million respectively. The advances received from customers for contract work vary from contract to contract subject to the customers' specific needs such as purchase of materials and staff cost.

### **Accruals and other payables**

Accruals and other payables comprises of accrued subcontracting fee, and accrued expenses relating to salaries and wages of our staff and professional fees. In FY2015, we had an increase in the number of staff. As a result, our accrued salaries and wages increased by approximately HK\$28.8 million. In FY2016, our accruals and other payables decreased by approximately HK\$5.0 million as a result of our accrued salaries decreased by approximately HK\$16.1 million, while our accruals for listing expenses of approximately HK\$1.5 million have been made. As at 31 December 2016, our accruals and other payables increased by approximately HK\$41.8 million as a result of our accrued subcontracting fee increased by approximately HK\$7.8 million while our accrued salaries increased by approximately HK\$31.0 million. Such significant increase in our accrued salaries was mainly due to (i) our number of staff members increased by approximately 732 staff members from approximately 964 staff members for the year ended 31 March 2016 to 1,696 staff members for the year ended 31 December 2016; (ii) no new project was commenced during the period February 2016 to March 2016 which in turn no significant increase of work performed in March 2016; (iii) seven projects, namely Project 14, Project 15, Project 16, Project 17, Project 18, Project 19, and Project 20, were completed during the period January 2016 to March 2016 which led to the significant decrease of work performed in March 2016; and (iv) seven projects, namely Project 30, Project 37, Project 41, Project 45, Project 47, Project 49 and Project 52 were in full swing in December 2016 which incurred relatively large amount of salaries as at December 2016.

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## FINANCIAL INFORMATION

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### AMOUNTS DUE FROM/(TO) DIRECTORS

The amounts due from/(to) our directors and shareholders as at 31 March 2014, 2015 and 2016 and 31 December 2016 are set out below:

	As at 31 March			As at 31
	2014	2015	2016	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Mr. Leung ( <i>Note 1</i> )	4,280	10,237	(1,868)	(113)
Mrs. Leung ( <i>Note 1</i> )	<u>1,439</u>	<u>4,144</u>	<u>(1,086)</u>	<u>–</u>
	<u>5,719</u>	<u>14,381</u>	<u>(2,954)</u>	<u>(113)</u>

*Note:*

1. Mr. Leung and Mrs. Leung are the directors and shareholders of subsidiaries of our Group.

The amounts due from/(to) directors are unsecured, interest-free and repayable on demand. The abovementioned outstanding amounts will be fully settled before the Listing.

### AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company as at 31 March 2014, 2015 and 2016 and 31 December 2016 are set out below:

	As at 31 March			As at 31
	2014	2015	2016	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Five Continental	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,500</u>

The amount due to ultimate holding company is non-trade nature, unsecured, interest-free and repayable on demand. The abovementioned outstanding amount will be fully settled before the Listing.

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## FINANCIAL INFORMATION

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### OBLIGATION UNDER FINANCE LEASE

During the Track Record Period, we acquired a motor vehicle by way of finance lease arrangement. The following table sets out our obligations under finance lease repayable as at respective date indicated.

	As at 31 March			As at 31 December	As at 31 March
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Within one year	–	–	240	–	–
After one year but within two years	–	–	250	–	–
After two years but within five years	–	–	577	–	–
	<u>–</u>	<u>–</u>	<u>1,067</u>	<u>–</u>	<u>–</u>

All of our finance leases were denominated in Hong Kong dollars and the interest rates as at 31 March 2014, 2015, 2016, 31 December 2016 and 31 March 2017 were nil, nil, 2% per annum, nil and nil, respectively. The obligation under finance lease was secured by our title to the leased motor vehicle and the personal guarantee from Mr. Leung to the extent of approximately HK\$1,260,000. As at 31 March 2014, 2015 and 2016, the net book value of the motor vehicle under finance lease amounted to nil, nil and approximately HK\$1.2 million respectively. As at 31 December 2016, all of our obligation under finance lease has been fully settled.

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## FINANCIAL INFORMATION

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### INDEBTEDNESS AND CONTINGENT LIABILITIES

As at 31 March 2014, 2015, 2016, 31 December 2016 and 31 March 2017, our Group had a total indebtedness of approximately HK\$1.6 million, HK\$0.8 million, HK\$11.3 million, HK\$17.6 million and HK\$27.8 million. The following table sets forth a summary of our Group's indebtedness as at the dates indicated:

	<b>As at 31 March</b>			<b>As at 31 December</b>	<b>As at 31 March</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
<b>Current liabilities</b>					
Amount due to ultimate holding company	–	–	–	2,500	150
Amounts due to directors	–	–	2,954	113	112
Obligation under finance lease	–	–	240	–	–
Bank borrowings	<u>1,570</u>	<u>789</u>	<u>7,235</u>	<u>15,000</u>	<u>27,527</u>
	1,570	789	10,429	17,613	27,789
<b>Non-current liabilities</b>					
Obligation under finance lease	<u>–</u>	<u>–</u>	<u>827</u>	<u>–</u>	<u>–</u>
Total	<u><u>1,570</u></u>	<u><u>789</u></u>	<u><u>11,256</u></u>	<u><u>17,613</u></u>	<u><u>27,789</u></u>

### BANK BORROWINGS

Our Group raises borrowings to finance the purchases of construction materials, and to fulfil working capital requirements. We repaid our borrowings through our internally generated funds and financing activities. The total outstanding bank borrowings as at 31 March 2014, 2015, 2016, 31 December 2016 and 31 March 2017 were approximately HK\$1.6 million, HK\$0.8 million, HK\$7.2 million, HK\$15.0 million and HK\$27.5 million. All bank borrowings are denominated in HK\$.

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Set out below is the maturity profile of our bank borrowings as at the respective dates indicated and the effect of any repayment on demand clauses.

	As at 31 March			As at 31 December	As at 31 March
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Scheduled payment terms of bank borrowings contain a repayment on demand clause (shown under current liabilities)					
Within one year	781	579	447	15,000	27,527
More than one year, but not more than two years	579	210	456	–	–
More than two years, but not more than five years	210	–	1,423	–	–
More than five years	–	–	4,909	–	–
	<u>1,570</u>	<u>789</u>	<u>7,235</u>	<u>15,000</u>	<u>27,527</u>

*Note:* The amounts due are based on scheduled repayment dates set out in the loan agreements.

During each year ended 31 March 2014, 2015, 2016, the nine months ended 31 December 2016 and the twelve months ended 31 March 2017, our Group obtained new bank borrowings with amounts of approximately HK\$0.8 million, nil, approximately HK\$7.6 million, HK\$15.0 million and HK\$30.0 million respectively. The loans bore interests at market rates. Our bank borrowings of HK\$15.0 million and HK\$27.5 million as at 31 December 2016 and 31 March 2017 are for our operating use.

As at 31 March 2014 and 2015, our Group's bank loans were fixed-rate borrowings which carry interest at rates ranging from 4.68% to 8.16% per annum and were repayable in instalments over three years from their respective commencement dates. Our fixed-rate bank borrowings were secured by (i) an unlimited personal guarantee from Mr. Leung and (ii) personal guarantees from Mrs. Leung to the extent of HK\$1,500,000. All our fixed-rate bank borrowings were fully repaid by our Group during the year ended 31 March 2016.

In May 2015, our Group raised a variable-rate bank loan which was repayable in instalments over 15 years from its commencement date and carries interest at 1-month Hong Kong Interbank Offered Rate plus 1.75% per annum. This bank loan was a mortgage loan and was solely for the usage by Five Dragons Properties Limited to purchase a property. On 29 April 2016, the mortgage loan was repaid in full by Mr. Leung on behalf of our Group.

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## FINANCIAL INFORMATION

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As at 31 March 2016, our variable-rate bank borrowing was secured by (i) an unlimited personal guarantee from Mr. Leung and (ii) first legal charge over our leased property at Unit D, 9/F, Billion Plaza 2, No.10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong executed by Five Dragons Properties Limited. The unlimited personal guarantee from Mr. Leung has been released on 29 April 2016 upon repaid in full by Mr. Leung on behalf of our Group.

### CONTINGENT LIABILITIES

Except as disclosed in the paragraph headed “Bank borrowings” and “Obligations under finance lease”, we do not have other material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities outstanding as at 31 December 2016 being the date of indebtedness statement.

On 4 January 2017, our Group entered a variable-rate bank loan facility of HK\$15.0 million which was repayable over a 12-month period at the end of each interest period from its commencement dates and carries interest of Hong Kong Inter-bank Offered Rate plus 2.25% per annum. This bank loan was a corporate tax loan and was solely for repayment of our tax. This bank loan was secured by an unlimited personal guarantee from Mr. Leung. The personal guarantee will be released and secured by our Company upon Listing. On 9 January 2017, our Group has drawn down HK\$15.0 million.

On 12 May 2017, our Group entered a variable-rate bank loan facility of HK\$15.0 million which was repayable at the end of each interest period from its commenced dates and carries interest of Hong Kong Inter-bank offered rate plus 2.25% per annum. This bank loan was a revolving loan and was solely for operating use. This bank loan was secured by an unlimited personal guarantee from Mr. Leung. The personal guarantee will be released and secured by our Company upon Listing. On 15 May 2017, our Group has drawn down HK\$10.0 million. There are unutilised banking facilities of our Group of HK\$5.0 million as at the Latest Practicable Date.

Our Directors confirmed that we had neither experienced any difficulties in obtaining banking facilities or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

#### Capital commitments

Our Group did not have any material off-balance sheet commitments and arrangements.

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## FINANCIAL INFORMATION

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### ANALYSIS OF SELECTED FINANCIAL RATIOS

Selected Ratios	Formulae	As at /For the year ended			As at/For
		2014	2015	2016	the nine months ended 31 December 2016
Return on assets	Net profit/total assets x 100%	13.5%	22.0%	32.7%	N/A (Note 2)
Return on equity	Net profit/total equity x 100%	39.9%	75.4%	209.3%	N/A (Note 2)
Gearing ratio	Total debt/total equity (Note 1)	7.2%	2.0%	51.0%	25.3%
Current ratio	Current assets/ current liabilities	1.5 times	1.4 times	1.1 times	1.3 times
Quick ratio	(Current assets – inventories)/ current liabilities	1.5 times	1.4 times	1.1 times	1.3 times
Interest coverage	Profit before interest and tax/finance costs	66.7 times	265.2 times	250.3 times	524.2 times

*Notes:*

- Total debt includes bank borrowings, amounts due to directors, amount due to ultimate holding company, and obligation under finance lease.
- Calculation of return on assets and return on equity is on a full year basis.

### RETURN ON ASSETS

Our return on assets were approximately 13.5%, 22.0% and 32.7% in FY2014, FY2015 and FY2016, respectively. We recorded an improved return on assets over the Track Record Period primarily due to the increase in the value of formwork works contracts completed by our Group certified by our customers.

Our net profit increased from approximately HK\$8.7 million in FY2014 to approximately HK\$29.7 million in FY2015, and increased further to approximately HK\$46.2 million in FY2016, while our total assets increased from approximately HK\$64.8 million as at 31 March 2014 to approximately HK\$134.9 million as at 31 March 2015, and increased slightly to approximately HK\$141.0 million as at 31 March 2016. The increase in our total assets as at 31 March 2015 was mainly attributable to the increase in cash and cash equivalent, and trade and other receivables of approximately HK\$59.8 million as a result of the increase in net cash generated from our operating activities.

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## FINANCIAL INFORMATION

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### RETURN ON EQUITY

Our return on equity was approximately 39.9%, 75.4% and 209.3% in FY2014, FY2015 and FY2016, respectively. Our return on equity improved over the Track Record Period, primarily attributable to the increase in the value of formwork contracts completed by our Group certified by our customers.

Our net profit increased from approximately HK\$8.7 million in FY2014 to approximately HK\$29.7 million in FY2015, and increased further to approximately HK\$46.2 million in FY2016, while our total equity increased from approximately HK\$21.9 million as at 31 March 2014 to approximately HK\$39.4 million as at 31 March 2015, and decreased to approximately HK\$22.0 million as at 31 March 2016. The decrease in our total equity as at 31 March 2016 was mainly attributable to the dividend declared of approximately HK\$63.5 million in FY2016.

### GEARING RATIO

Our gearing ratio as at 31 March 2014, 2015, 2016 and 31 December 2016 was approximately 7.2%, 2.0%, 51.0% and 25.3% respectively. The increasing trend of our gearing ratio for the three years ended 31 March 2016 was mainly due to our new bank borrowings raised over the period. Our gearing ratio decreased from approximately 51.0% as at 31 March 2016 to approximately 25.3% as at 31 December 2016. Such decrease was mainly attributable to we repaid all finance lease payables and settled approximately HK\$2.8 million amounts due to directors during the nine months ended 31 December 2016.

### CURRENT RATIO

The current ratio of our Group as at 31 March 2014, 2015, 2016 and 31 December 2016 was approximately 1.5 times, 1.4 times, 1.1 times and 1.3 times respectively. The decreasing trend of our current ratio during the Track Record Period was driven by the increase in trade payables and amounts due to customers for contract work over the period as a result of the increase in the projects of formwork works during the Track Record Period.

### QUICK RATIO

During the Track Record Period, we did not hold any inventory, accordingly, our quick ratio was the same as our current ratio.

### INTEREST COVERAGE

The interest coverage ratio of our Group during the Track Record Period was approximately 66.7 times, 265.2 times, 250.3 times and 524.2 times respectively. The interest coverage ratio increased for the year ended 31 March 2015 mainly due to the increase in profit before tax, as a result of the increase in the revenue while decrease in the interest expense. Further details of our financial performance are set out in the section headed “Financial information – Period-to-period comparison of results of operations” in this prospectus.



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## FINANCIAL INFORMATION

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### FINANCIAL RISK MANAGEMENT

Our Group is exposed to foreign currency risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to Note 36 in the Accountants' Report in Appendix I to this prospectus.

### RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in Note 32 of the Accountants' 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.

### DIVIDEND

Our Group declared and paid interim dividend of approximately HK\$7.9 million, HK\$12.3 million and HK\$63.5 million respectively for the years ended 31 March 2014, 2015 and 2016. Further, for the nine months ended 31 December 2016, our Group declared a dividend of HK\$3.0 million in December 2016. For FY2014, FY2015 and the nine months ended 31 December 2016, they were settled by our internal resources. For FY2016, parts of the interim dividend amounting to HK\$29.0 million was settled by way of offsetting against the outstanding amounts due from directors of our Company, and the remaining interim dividend amounting to HK\$34.5 million was paid in cash during the year ended 31 March 2016 from our Group's internal resources. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders, as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy, and there is no guarantee that dividends will be paid in the future.

### DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, the Company has reserves of approximately HK\$464,000 available for distribution to our Shareholders. The Companies Law provides that share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

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## FINANCIAL INFORMATION

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### LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately HK\$31.6 million, which will be borne as to approximately HK\$21.5 million by us and as to approximately HK\$10.1 million by the Selling Shareholder. Out of the amount of approximately HK\$21.5 million, approximately HK\$6.5 million is directly attributable to the issue of New Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated listing expenses of approximately HK\$15.0 million, was or will be charged to profit or loss, of which approximately HK\$3.7 million and HK\$6.0 million have already been recorded in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2016 and the nine months ended 31 December 2016, respectively, and approximately HK\$0.9 million and HK\$4.4 million are expected to be charged to the consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2017 and the year ending 31 March 2018, respectively. This calculation is based on the Offer Price of HK\$0.40 per Share (being the mid-point of the Offer Price range stated in this prospectus) and the assumption that 375,000,000 Shares are to be offered under the Share Offer and is subject to the adjustment based on the actual amount incurred or to be incurred.

### PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2017

Estimated unaudited consolidated profit attributable to  
owners of the Company (*Note 1*) not less than HK\$67.0 million

*Note:*

- (1) The bases on which the above profit estimate for the year ended 31 March 2017 has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended 31 March 2017 based on the audited consolidated results for the nine months ended 31 December 2016 and the unaudited consolidated results based on management accounts of the Group for three months ended 31 March 2017.

### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to 31 December 2016 and up to the Latest Practicable Date, six new formwork works contracts, with an aggregate original contract sum of approximately HK\$100.8 million were awarded to our Group. Further, our Group declared a dividend of HK\$3.0 million in December 2016 and they were fully settled by our Group's internal resources in May 2017.

Subsequent to the Track Record Period, based on our unaudited management accounts, our trade and other receivable for the year ending 31 March 2017 increased significantly compared to the year ended 31 March 2016 primarily due to (i) the credit period of Customer H and Customer J, which have approximately 14 days after interim payment certificate issued and 49 days after interim payment certificate issued, respectively, are comparatively longer than other customers; and (ii) our retention receivables increased are mainly due to the increase in our revenue that required for retention money resulting in the

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## **FINANCIAL INFORMATION**

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increase of retention money receivables. As a result, our net operating cashflow for the year ending 31 March 2017 will be negatively impacted and result in net operating cash outflow for the year ending 31 March 2017.

Save as disclosed above, our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position, or prospects of our Group since 31 December 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up).

### **UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

Please refer to the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus for details.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors have confirmed that as at the Latest Practicable Date, save and except for the guarantees provided by the Controlling Shareholders on our Group’s facilities as disclosed in the section headed “Relationship with the Controlling Shareholders – Financial independence” in this prospectus, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed “Business – Business strategies” in this prospectus.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Share Offer, after deducting underwriting commissions and estimated expenses paid and payable by our Company in connection with the Share Offer, to be approximately HK\$80.5 million, assuming the Over-allotment Option is not exercised and the Offer Price of HK\$0.40 per Share, being the mid-point of the proposed Offer Price range of HK\$0.38 to HK\$0.42 per Share.

We intend to apply such net proceeds in the following manner:

- a. approximately HK\$34.5 million or approximately 42.9% of the net proceeds for the acquisition of additional machineries and equipment, which approximately HK\$4.5 million for purchase of forklifts and lorry cranes for logistics and internal warehouse use and approximately HK\$30.0 million for purchase of metal scaffold equipment, for our formwork works business, which, in the opinion of our Directors, can be fully used in our projects on hand and potential projects in order to enhance our project implementation capability and to minimise reliance on leasing from external parties. The table below sets forth the particulars of the new machineries we intend to purchase out of the proceeds from the Listing:–

<b>Machineries</b>	<b>Number of machineries to be purchased</b>	<b>Estimated purchase price (approximately HK\$ million) (Note)</b>
Forklift	3	0.3
Lorry crane	3	<u>4.2</u>
		<u><u>4.5</u></u>

*Note:* The estimated purchase price is based on the quotations obtained by our Group

Our plan to acquire forklifts and lorry cranes is to align with to our corresponding plan to lease a warehouse as forklifts and lorry cranes are required for the transport and delivery of the machineries and equipment and construction materials stored at the warehouse and within the construction sites. As such, there will be an imperative need for us to acquire our own machineries in order to cope with our expansion plan.

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## FUTURE PLANS AND USE OF PROCEEDS

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Metal scaffold equipment, as a temporary elevated or suspended work unit used for supporting workers and materials, is one of the major equipment for our formwork projects. Our Group intends to apply approximately HK\$30.0 million for purchase of metal scaffold equipment, which will not be generally provided by our customers under the contracts and have to be leased from external metal scaffold equipment providers. Taking into account (i) the amount of formwork projects on hand; (ii) the expected growth of the construction industry in Hong Kong of which formwork works is an indispensable step; (iii) the difficulties faced by our Group in leasing metal scaffold equipment on time and the expected continuing shortage of metal scaffold equipment available for leasing due to the increasing demands for metal scaffold equipment resulted from the growth in formwork works projects; (iv) the increase in costs of rental equipment as the Directors noted that the costs of rental equipment accounted for approximately 2.3% of our total direct costs for the nine months ended 31 December 2016, comparing to approximately 1.4% for the year ended 31 March 2016; and (v) the increasing demands for metal scaffold equipment in order to complete the contracts on hand, the newly awarded contracts and the contracts we plan to submit for the year ending 31 March 2017, our Directors take the view that it would benefit our Company in the long run by having our own metal scaffold equipment instead of continuing to lease metal scaffold equipment from external metal scaffold equipment providers as rental of metal scaffold equipment is subject to the availability of the suitable metal scaffold equipment during the entire lease period and the amount of rental offered by the metal scaffold equipment providers from time to time. In addition, having our own metal scaffold equipment will reduce our reliance on metal scaffold equipment providers, enhance our efficiency and effectiveness in completing the formwork works projects on time, which would together improve project execution efficiency and profitability in the long run.

- b. approximately HK\$23.0 million, representing approximately 28.5% of the net proceeds, will be used to purchase construction materials for aluminium formwork systems in bulk, which, in the opinion of our Directors, can be used in our potential projects and ensure the stable supply of construction materials for our potential projects. Taking into account (i) the increasing trend of metal formwork projects of backlog, which accounted for approximately nil, nil, HK\$82.2 million, HK\$352.6 million during the Track Record Period and (ii) our Group submitted tenders for projects involving aluminum formworks with an aggregate expected notional contract sum of approximately HK\$1,017.9 million subsequent to the Track Record Period and up to the Latest Practicable Date, our Directors consider that there will be sufficient demand for the aluminum formwork systems to be purchased. On the other hand, bulk purchase of construction materials would allow us to bargain for discounts and to build up trust and credibility with our suppliers in the long run. Our Directors also believe that this strategy would help maintain our price competitiveness in the market by reducing our costs.

In particular, one of our Group's business strategies is to put more emphasis on formwork projects involving aluminium formworks, which align with the trend of the formwork works industry; and compete for projects involving aluminium

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## FUTURE PLANS AND USE OF PROCEEDS

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formworks in the future. For further details of this business strategy, please refer to the paragraph headed “Business – Business strategies – Put more emphasis on formwork projects involving aluminium formworks” in this prospectus. In consideration of the limited storage areas of our Group for storage of aluminium formwork systems and our then working capital position, we have chosen those aluminium formwork systems with specifications that were less durable for our metal formwork projects on hand at a lower cost per square metre without intention of repetitive uses for other metal formwork projects. To cope with the increasing demands for aluminium formworks, our Directors consider that it is cost-effective to purchase aluminum formwork systems with stronger hardness in bulk for the consumption of our potential projects. The aluminum formwork systems intended to be purchased by our Group are durable with the specifications of certain standard sizes which allow repetitive uses. After these aluminum formworks systems have been used for a project, they can be stored in our warehouse for re-use in the next projects. Our Directors consider that, for illustrative purpose, by applying approximately HK\$23.0 million of the net proceeds, the aluminum formwork systems purchased would be able to fully utilised for metal formwork projects with an aggregate awarded contract sum of no less than HK\$120.0 million. Based on our Directors’ experience, our Directors reasonably believe that our Group would be able to undertake potential new metal formwork projects with no less than HK\$120.0 million after the Listing and to fully utilise the aluminium formwork systems to be purchased. In light of the above, specially, the durable and reusable nature of the aluminum formworks, these aluminium formwork system will become a valuable part of fixed assets of our Group for our future development.

Our Directors consider this as a necessary cost-saving measure taking into account (i) the growing demand of formwork projects, both public or private sectors, in Hong Kong; and (ii) the intensifying competitive landscape with a large number of competitors in the industry whereby we have to save costs in order to maintain our competitiveness and profitability. According to the IPSOS Report, establishing reliable working relationships with both our main contractors and construction material suppliers would make formwork works subcontractors, like our Group, more competitive when we prepare the tender for formwork works. Moreover, as our Company stands as one of the major players in the formwork works industry, coupled with our business strategies, our Directors foresee that our Group is able to obtain more formwork projects in the future and thus a large amount of construction materials specially aluminum formworks would be needed. Hence it is important for us to secure a reliable source of aluminum formwork systems from original suppliers, preferably the manufacturers, at a more competitive price;

- c. approximately HK\$10.4 million or approximately 12.9% of the net proceeds for (i) expansion of our workforce at both worksite level and office level, including the hiring of one quantity surveying manager, two quantity surveying staffs, four machinery operators, two safety supervisors, six warehouse workers and two administration clerks before the three years ending 31 March 2020 in order to cope with our expansion plan; and (ii) provision of trainings to our existing and new employees in order to enhance their knowledge and awareness in work safety

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## FUTURE PLANS AND USE OF PROCEEDS

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and the functions of the new machineries and equipment. Our Directors consider that formwork works generally require experience and sophisticated skills to care for different formwork plans originated from different building components and structures, and thus, recruitment of staff with necessary skills at all levels is essential for our business expansion, which would in turn help strengthening our capability to obtain and carry out more formwork projects. We will also continue to provide on-going training programs to our existing staff and subsidise our existing staff and workers to attend workshops and course organised by external organisations to improve their skills and their capabilities, in particular, the skills and techniques required for carrying out aluminium formwork works, which has begun to become popular in formwork works industry, so that they could perform their works more efficiently and effectively;

- d. approximately HK\$4.8 million or approximately 6.0% of the net proceeds for the additional rental expense for leasing of a warehouse for storage of materials and equipment, enhancing our business capacity. All the construction materials purchased in bulk, re-usable aluminium formwork and newly acquired machineries and equipment would require storage space, a warehouse with sufficient storage space is vital for our business development. As such, we entered into a tenancy agreement for leasing a parcel of land at DD 123 Lot 897 as our warehouse commencing in September 2016 with the tenancy period up to July 2017. We will continue to look for a larger warehouse for storage of additional machinery and equipment and construction materials in the long run; and
- e. approximately HK\$7.8 million or approximately 9.7% of the net proceeds will be used as general working capital of our Group.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, assuming the Over-allotment Option is not exercised, the net proceeds to our Company from the Share Offer will increase or decrease by approximately HK\$5.1 million. We will adjust the allocation of the net proceeds for the abovementioned purposes on a pro rata basis.

If the Over-allotment Option is exercised in full, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Over-allotment Option, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

To the extent that the net proceeds of the Share Offer are not immediately applied to the above purposes due to whatever reasons, and to the extent permitted by applicable laws and regulations, 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.

We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportionate underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Share Offer) will be approximately HK\$37.9 million (based on the mid-point of the Offer Price range stated in this prospectus). Our Company will not receive any of the proceeds from the sale of the Sale Shares.

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## FUTURE PLANS AND USE OF PROCEEDS

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### REASONS FOR THE LISTING

Our Directors believe that the Listing will greatly benefit our Group for the following reasons:

- **Necessity of fund raising through the Share Offer**

Our Group has imminent funding needs for expansion of our business and it is imperative for our Company to seek a Listing due to the following reasons:

- (i) *Expected growth in our Group's business in view of our contracts on hand, newly awarded contracts, and outlook of the formwork works industry:* Our Group's business is expected to expand steadily taking into account our contracts on hand, the newly awarded contracts and the contracts we plan to submit for the year ending 31 March 2017 coupled with the continuous growth in the formwork works industry.

*Contracts on hand and newly awarded:* Subsequent to the Track Record Period and up to the Latest Practicable Date, six new formwork works contracts, with an aggregate original contract sum of approximately HK\$100.8 million were awarded to our Group. As at the Latest Practicable Date, we had 30 formwork projects on hand (including projects in progress as well as projects that awarded to us but not yet commenced) with a total awarded contract sum of approximately HK\$1,268.2 million, of which approximately HK\$217.0 million has been recognised for three years ended 31 March 2016, and approximately HK\$633.1 million is expected to be recognised as revenue during the year ending 31 March 2017. Our Group also received some invitations for tender for the projects subsequent to the Track Record Period and up to the Latest Practicable Date with an aggregate expected notional contract sum of over HK\$2,456.3 million. This demonstrates our Group's growing momentum to expand its business to capture the emerging business opportunities since the first quarter of 2017.

*Capital input and upfront costs:* We have to pay the start-up costs such as costs of materials, subcontracting fees and equipment and tooling expenses for certain start-up works including site establishment and scaffolding prior to receiving payment from our customers, who normally make progress payments to us after we have commenced our works, the cash flow requirement at the initial stage of our projects would constraint the number of projects that we could take under our then available resources. We normally receive invoices from our suppliers after their delivery of construction materials to us and we have to settle them within 0 to 60 days from the invoice date.

*Net cash outflow at the early stage of the project:* We typically submit a payment application to our customers on a monthly basis based on our works progress and the payments will be made to us within 14 to 30 days payment application date, depending on the terms of individual contracts. In general, our customers make



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## FUTURE PLANS AND USE OF PROCEEDS

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the first payments within one to three months following the commencement of the projects and we would therefore incur net cash outflows at an early stage of carrying out our works.

*Mismatch of our cash flow:* Furthermore, the progress payments from our customer will not always be paid to us on time and in full and we may experience a mismatch of our cash flow when there is any timing difference between making payments to our suppliers and our subcontractors and receiving payments from our customers.

*Our banking facilities having been utilised:* Amongst the banking facilities of HK\$45.0 million as at the Latest Practicable Date, HK\$40.0 million have been utilised. As at 31 December 2016, our cash and cash equivalents amounted to approximately HK\$47.0 million. Referring to our direct costs for the nine months ended 31 December 2016, we required an average monthly payment of approximately HK\$54.9 million for direct costs, including payment to suppliers, subcontractors and staff costs. As such, our Directors consider that the current financial resources available to our Group is only sufficient for the present scale of our business turnover and there are imminent funding needs for our expected business growth.

- (ii) *Industry outlook:* Pursuant to the IPSOS Report, aligning with the public and private construction sectors' anticipated continuous growth, it is expected that the revenue of the formwork works industry in Hong Kong will grow at a CAGR of approximately 6.5%, from about HK\$ 5,271.9 million in 2016 to about HK\$6,781.5 million in 2020. Our Directors envisage that there would be considerable business opportunities and growth drivers which justify our Group's expansion plan to compete for more formwork projects. These business opportunities and drivers include the Government's policy to increase housing supply for residential and commercial use; and the burgeoning number of enterprises and entities setting up their offices in Hong Kong which stimulates the demands for office buildings and the consequential increase in rental, which have collectively contributed to the growth in the number of building projects, redevelopment or renovation projects of office buildings in Hong Kong, and the corresponding growth of the formwork works industry in the near future. Please refer to the section headed "Industry overview – Competitive landscape" in this prospectus for further details.
  
- (iii) *Additional capital required to grasp the business opportunities and consolidate our Group's market position:* The formwork works industry in Hong Kong is fragmented. Pursuant to the IPSOS Report, there were 788 formwork works companies as of April 2017 and our Group is one of the major players of the formwork works industry. According to the IPSOS Report, our Group accounted for approximately 9.3% of the total formwork works industry revenue of HK\$4,994.2 million in Hong Kong in the calendar year of 2015. Our Directors consider that given our well-established reputation in the formwork works industry and our long-established business relationship with our customers, our Group has the ability to grasp the continuous growth in the formwork work

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## FUTURE PLANS AND USE OF PROCEEDS

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industry and further increase our market share in the formwork works industry, which hinges on the availability of (i) our then available operational resources including manpower resources, equipment and machineries; and (ii) sufficient capital to support the future growth in business.

- (iv) *Intake of customers who require us to provide a larger amount of retention money and need longer credit period of the interim payment certificates:* Owing to our effort to reduce its reliance on Customer A, the expected amount of revenue to be recognised from Customer A would decrease from approximately 61.2% for the year ended 31 March 2016 to approximately 38.1% for the year ended 31 March 2017 (based on our Company's unaudited management accounts). It is noteworthy that only Customer A did not require our Group to pay any retention money during the Track Record Period. For customers other than Customer A, they generally require our Group to provide retention money ranging from 5% to 10% of the work certified. The retention money receivables amounted to approximately HK\$35.2 million as at 31 March 2017 (based on our Company's unaudited management accounts), of which approximately HK\$6.5 million is expected to be settled within one year and the remaining approximately HK\$28.7 million to be settled over one year whereas retention money receivables was HK\$14.3 million as at 31 March 2016, of which approximately HK\$6.8 million is expected to be settled within one year and the remaining approximately HK\$7.5 million to be settled for over one year. Hence, the retention money receivables increased by approximately HK\$20.9 million, representing an increase of approximately 146.2% from the year ended 31 March 2016 to the year ended 31 March 2017, of which the balance of retention money receivable to be settled over one year as compared to the total retention money receivables had increased from approximately 52.4% for the year ended 31 March 2016 to 81.5% for the year ended 31 March 2017 (based on our Company's unaudited management accounts). Our Directors believe that the intake of more customers for the purpose of diluting our Group's reliance on Customer A had led to more customers which request retention moneys and longer credit terms.

For the year ended 31 March 2016, approximately 0.7% of our revenue recognised from formwork works projects was contributed by customers who used to settle the interim payment certificates within 30 days to 60 days after certification of our interim payment application whereas for the year ended 31 March 2017 (based on our Company's unaudited management accounts), approximately 35.2% of the revenue recognised from formwork works projects was contributed by customers who used to settle the interim payment certificates within 30 days to 60 days. As such, there was an increase in the trade receivables of our Group from approximately HK\$27.9 million as at 31 March 2016 to approximately HK\$87.1 million as at 31 March 2017 (based on our Company's unaudited management accounts), representing an increase of approximately 212.2%. Such an increase in trade receivables was further intensified mainly due to (i) the credit periods granted to Customer H and Customer J, which are approximately 14 days and 49 days after interim payment certificate issued, respectively whereas Customer H and Customer J generally settled the interim payment certificates within approximately 54 days and 56 days after interim payment application respectively

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## FUTURE PLANS AND USE OF PROCEEDS

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during the Track Record Period, are comparatively longer than other customers; and (ii) the increase of the retention money receivables due to the increase in the revenue that required for retention money resulting in the increase of retention money receivables as mentioned above. As a result, the net operating cashflow for the year ended 31 March 2017 will be negatively impacted and a net operating cash outflow for the year ended 31 March 2017 will be occurred. It is noteworthy that unlike the customers mentioned above, Customer A and Customer B are used to settle the interim payment certificates in line with the credit periods granted to our Group, which are approximately 17 days after interim payment application and 21 days after interim payment application, respectively. Given that Customer A and Customer B together contributed approximately 91.6%, 93.6%, 92.6% of our revenue for each of the three years ended 31 March 2016 respectively, the short credit terms and timely settlement of interim payment certificates facilitate the rapid growth of our Group during the Track Record Period. In consideration of our future development and diversification of customer base, our Directors consider that it is inevitable for our Group to take in customers with long credit period and our Group needs to further strengthen our cash position to support future expansion.

In light of above, though we could generate cash to support our business expansion in the past, due to the intake of more customers who require a larger amount of retention moneys and a longer settlement period of our interim payment certificates, our Company would need funding to support our ongoing business and development plan.

Furthermore, according to the IPSOS Report, due to shortage of labour, contractors have started to pay higher wages, which has led to the increasing labour costs of formwork works industry.

- (iv) *Low bank balance and cash position:* Given our Group's cash outflow per month amounts to approximately HK\$54.9 million, our bank balance of HK\$38.9 million as at 31 March 2017 with bank borrowings of approximately HK\$27.5 million (based on the Company's unaudited management accounts) is therefore below the said monthly cash outflow. Given the low bank balances and cash position, our Company will need to raise fund through the Share Offer to facilitate implementation of our future plans as set out in the paragraph headed "Business – Business strategies" in this prospectus and this section. Since 1 December 2016, our Group had not declared any dividends to its shareholders due to our imminent funding need for business expansion. Though our Company had declared dividends of HK\$63.5 million for the year ended 31 March 2016 as paying cash dividends is a common way for a company to return capital to its shareholders out of the company's earnings and/or accumulated profits, it served as an incentive and reward to our shareholders for their continuous effort and investment to our Group in the future. Regarding the dividend of HK\$63.5 million declared in the year ended 31 March 2016, parts of the interim dividend amounting to HK\$29.0 million was settled by way of offsetting against the outstanding amounts due from directors of our Company, and the remaining interim dividend amounting to HK\$34.5 million was paid in cash during the year ended 31 March 2016 from our Group's internal resources.

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## FUTURE PLANS AND USE OF PROCEEDS

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Our Directors consider that it is necessary to keep surplus cash in our Group for any unexpected inflation of costs due to unstable labour supply in construction industry. As such, in view of our significant cash outflow exposure including payment to suppliers, subcontractors and labours, our Directors believe that our Group needs to generate funds to finance its expansion plan while maintaining sufficient working capital for our Group's operations.

- **Necessity of having our own machineries and equipment**

(i) *Having our own machineries and equipment is crucial to support our Group's business expansion:*

As mentioned in the IPSOS Report, the building construction work industry in Hong Kong has been growing for the past decade. As a result, the demand of metal scaffold equipment in the market has also increased, and our Directors consider that it is getting more difficult for subcontractors, like our Group, to rent metal scaffold equipment.

On the other hand, our Group had experienced persistent difficulties in renting metal scaffold equipment from external parties for carrying out specific formwork works projects and our Directors consider that the shortage of machineries and equipment, in particular, the metal scaffold equipment, in the formwork works industry will continue owing to the increasing demand for such machineries and equipment as a result of the corresponding growth in the construction industry. Furthermore, IPSOS also confirm that due to (i) project delays in construction projects, (ii) increased demand for metal scaffold rental due to the 10 major infrastructure projects and (iii) the future development of the construction industry in Hong Kong, there are times when metal scaffolds have been and will continue to be difficult to obtain in the Hong Kong rental market. This issue is not likely to be resolved in the near future. Indeed, metal scaffold rental companies are not keen on acquiring more inventories for two reasons: (i) the shortage in metal scaffolding to rent is cyclical (or at least sporadic), and if they purchase more, there may be times where they cannot rent it out and have to maintain sufficient storage spaces for keeping them in warehouses and (ii) the material is very expensive and it takes a substantial time to amortise. The shortage in the supply of metal scaffold equipment could also be a hindrance for us to tender for formwork projects. Our Directors consider that it is not commercially feasible to rely on leasing equipment and machinery to cater for our business growth in the long run. As the number of equipment and machinery, in particular, the metal scaffold equipment, available for lease in the market is limited, there is no guarantee that our Group can lease such equipment and machinery on a timely basis at a reasonable rental and on other commercially acceptable terms. Hence, there is a pressing need for our Group to have our own machineries and equipment, specially the metal scaffold equipment, which is a prerequisite for carrying out formwork works to ensure that our Group's machineries and equipment is readily available to meet our customers' requirements and to perform our contractual obligations at all times.

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## FUTURE PLANS AND USE OF PROCEEDS

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(ii) *The need of aluminum formworks and additional machinery and equipment to compete for more projects in the near future:*

According to the IPSOS Report, the revenue of the formwork works industry in Hong Kong is expected to grow at a CAGR of approximately 6.5%, from about HK\$ 5,271.9 million in 2016 to about HK\$6,781.5 million in 2020, we intend to compete for more projects in the near future in order to capture the growth in the industry and expand our market share in the industry. In fact, owing to the shortage of metal scaffold equipment for leasing in the market, we had adopted a relatively conservative and selective approach in offering competitive terms when submitting tender applications as our reliance on leasing machineries and equipment had restrained us from undertaking more projects at one point of time. Our Directors therefore take the view that if we have our own aluminum formwork systems, machineries and equipment, specially metal scaffold equipment, we can strengthen our competitiveness, reduce our reliance on leasing machineries and equipment from external equipment providers and increase our tender success rate as our customers would take into account the availability of our construction materials and equipment in determining whether they would award a contract to us. As a result, we can expand our market share in the formwork works industry in terms of revenue generated.

Although our Group's customers may provide machineries under the contracts, metal scaffold equipment are not generally provided by customers and our Group had to rely on leasing metal scaffold equipment from external metal scaffold equipment providers during the Track Record Period. As such, our Group intends to use the proceeds to purchase metal scaffold equipment, which is a prerequisite equipment for carrying out formwork works and it is the observations of our Directors that the availability of our own metal scaffold equipment is becoming more important for our Group's business growth in light of the recent shortage of metal scaffold equipment for leasing in the industry. Our Directors believe that by purchasing our own metal scaffold equipment, our Group will have a competitive edge over our competitors in tendering and obtaining sizable formwork works projects.

- **There would be sufficient demand for our Group's formwork works to fully utilise our aluminum formworks and additional capacity of our new machineries and equipment**

According to the 2016 Policy Address, the Government will continue to increase the land used for commercial and economic activity through measure such as converting suitable Government, Institution or Community (GIC) sites in core business districts into commercial use and the development of Kowloon East as an alternative core business district. The public construction sector, which witnessed a strong growth in project value is expected to continue to thrive in the coming years. On the private sector's side, the total number of private residential housing units completed in Hong Kong is expected to reach to approximately 20,140 in 2016. The total floor area of private commercial buildings is expected to reach to approximately 121,000 square meters in 2016.

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## FUTURE PLANS AND USE OF PROCEEDS

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According to the IPSOS Report, the total gross output value of construction works performed by main contactors at construction sites in Hong Kong reached about HK\$157.0 billion in 2015 and the total gross output value of construction works performed by subcontractors reached about HK\$30.7 billion in 2016. Overall, the gross output value of construction works performed by main contractors and subcontractors in Hong Kong grew from about HK\$89.0 billion in 2011 to about HK\$187.8 billion in 2016, at a CAGR of approximately 16.1%.

Formwork works industry plays an important role in the construction industry in Hong Kong as formwork is an essential and indispensable step for concrete building construction where concrete is the most widely and commonly used material for construction projects in Hong Kong. Our Directors therefore take the view that the outlook of formwork works industry shall be promising instead of facing a downturn. Our Group had experienced a steady growth of our revenue (from approximately HK\$199.8 million for the year ended 31 March 2014 to approximately HK\$483.3 million for the year ended 31 March 2015 and to approximately HK\$599.4 million for the year ended 31 March 2016, representing a CAGR of approximately 73.2%). As concerns our profits and total comprehensive income, it increased from approximately HK\$8.7 million in 2014 to approximately HK\$29.7 million in 2015 and to approximately HK\$46.2 million in 2016, representing a CAGR of approximately 130.4%. Hence, as a leading player in the formwork works industry, our Directors believe that our Group's expansion will align with the upcoming industry growth trend as set out in the IPSOS Report. This positive industry outlook further justified our need to purchase aluminum formworks and additional machineries and equipment to cope with our needs for the projects on hand, the projects recently awarded to us and the projects for which we intend to tender in the near future.

- **Need for equity financing**

(i) *Our increasing need for bank borrowings:*

Our gearing ratio as at 31 March 2014, 2015 and 2016 and 31 December 2016 was approximately 7.2%, 2.0%, 51.0% and 25.3% respectively. Such fluctuation of our gearing ratio during the Track Record Period was mainly due to our new bank borrowings for the year ended 31 March 2016 and our repayment of finance lease payables and settlement of amounts due to directors during the nine months ended 31 December 2016. Whilst our operation had placed more reliance on funding from bank borrowings, our Group's financial performance and liquidity may be negatively affected if market uncertainty suddenly occurred, such as increase in interest rate in the United States and any unexpected deterioration in the prevailing market condition in the formwork works industry resulting in the imposition of further stringent requirements on debt financing.

Albeit our reliance on funding from bank borrowings, formwork works subcontractors like our Group without a listing status usually have difficulty in obtaining sufficient bank borrowings at a more commercially favourable term without personal guarantees as they do not have a large amount of fixed assets as collateral for the bank borrowings.

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## FUTURE PLANS AND USE OF PROCEEDS

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Our Directors anticipated that additional bank borrowings to our Group would be needed for our expansion, which would in turn require our Controlling Shareholders to provide additional guarantees if our Company is not listed. This is supported by the fact that the lending banks have indicated their agreements to release the guarantees provided by our Controlling Shareholders, subject to, among other things, our Company's being successfully listed on the Stock Exchange. Subsequent to the Track Record Period, Leung Pui had entered into two bank loan arrangements with financial institutions for (i) the repayment of our tax of facility amount HK\$15.0 million and (ii) for financing the working capital amount to HK\$15.0 million. The facility was secured by an unlimited personal guarantee from Mr. Leung. The personal guarantee will be released and secured by our Company upon Listing. In the course of negotiation with the financial institution, our Directors were given to understand that the financial institution will consider increasing the facility amount made available to our Company after Listing when necessary.

As such, it is imperative for our Company to obtain a listing status in order to obtain further banking facilities to cope with our business expansion plan. Our Directors further consider that it is in the interest of our Group to proceed with the equity financing by way of the Share Offer for the purpose of our business expansion as opposed to a debt financing.

*(ii) Our Group's significant cash outflow exposure:*

Although our Group had a cash balance of HK\$47.0 million as at 31 December 2016, and our business generated net operating cash inflow (HK\$66.4 million for the year ended 31 March 2016), it does not necessarily mean that our Group would have no imminent needs to raise funds in order to implement our business strategies. Our bank balance as at 31 March 2017 was reduced to approximately HK\$38.9 million (based on our Company's unaudited management accounts) Our Directors take the view that it is necessary for our Group to maintain a cash level sufficient so as to support our Group's daily operations as our Group requires an average monthly payment of approximately HK\$54.9 million for direct costs for the nine months ended 31 December 2016. In view of our Group's significant cash outflow exposure, including payment to suppliers, subcontractors and staff costs, our Directors believe our Group may not have sufficient internal generated funds to finance our expansion plan while at the same time maintaining sufficient working capital for our Group's operations.

*(iii) Contracts on hand:*

Subsequent to 31 December 2016 and up to the Latest Practicable Date, six new formwork works contracts, with an aggregate original contract sum of approximately HK\$100.8 million were awarded to our Group and our Group also received some invitations for tender for the projects subsequent to the Track Record Period and up to the Latest Practicable Date with an aggregate expected notional contract sum of over HK\$2,456.3 million. This demonstrates our Group's growing momentum to expand its business and need funding to support our existing projects and to capture the emerging business opportunities since the first quarter of 2017.

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## FUTURE PLANS AND USE OF PROCEEDS

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As such, our Directors believe that our Group has imminent needs to raise funds through the Share Offer to compete for more formwork projects in the future.

- **Commercial rationale for the Listing**

*(i) Enhance our Group's corporate profile, credibility and brand awareness:*

Our Directors believe that our customers will prefer doing business with a listed company to a private company given the former's greater transparency, relevant regulatory supervision and stability generally. The Listing will therefore serve to promote our corporate profile and brand awareness. It is expected that both public and private employers would tend to prefer their subcontractors having a public listing status with good reputation, transparent financial disclosures and general regulatory supervision.

Moreover, we believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would increase our customers' and suppliers' confidence on us and attract potential customers.

*(ii) Enhance market status amongst customers, suppliers, subcontractors and employees:*

Our Directors believe that a listing status will enhance our credibility with our subcontractors, suppliers and customers and thus, enhance our level of competitiveness in competing for and carrying out formwork projects. With such status, our Group can be differentiated from other competitors during the tendering process, enhancing our success rate in competing for sizable and profitable projects.

In particular, our Directors consider that one of our major competitors in formwork works industry in Hong Kong has been listed on the Stock Exchange. It is expected that both public and private customers would tend to give preference to contractors who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. Our Directors therefore believe that the Listing of our Company is the key strategy for us to enhance our level of competitiveness among other customers and other business stakeholders.

To effectively implement our strategies involving staff trainings and acquisition of new machineries and equipment, our Directors further believe that as a listed company, we will be able to retain our existing staff more effectively, at both operational and administrative level. We believe that our staff will feel more stable and secured about their employment with us, rather than joining a private company, hence strengthening their morale at work. In turn, an integrated workforce will improve the quality of our services and efficiency of our day-to-day operations to the benefit of our long term development and competitiveness.



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## FUTURE PLANS AND USE OF PROCEEDS

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*(iii) Ease of raising funds in capital market for future business development:*

Whilst our Group was able to expand our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans when they fell due in the past, our Group still plans to seek equity or equity-linked financing as it would ease our cash flow instead of debt financing and finance lease from bank or financial institutions due to the following reasons:–

- (a) debt financing from banks or financial institutions normally requires collaterals, such as cash deposit, properties and/or personal guarantee from our Controlling Shareholders in order to secure bank borrowing for our Group, which would increase our reliance on our Controlling Shareholders and negatively affect our liquidity of cash;
- (b) heavy reliance on debt financing would subject our Group to the inherent risks of higher interest rate and finance costs; and
- (c) raising fund by way of finance lease is not practicable to our Group as we lack the machineries and equipment which are acceptable for the finance lease.

The Listing, which allows us to access the capital market for fund raising, will assist our future business development and strengthen our competitiveness; following such, we will be able to use secondary fund raising after listing for our future expansion plans and when necessary, through the issuance of equity and/or debt securities. While we will continue to obtain certain amount of banking facilities after Listing alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a listed company with enlarged capital structure.

By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers for construction materials, and with other business partners, if any. Hence, our Group will then be able to maintain a lower level of gearing ratio and avoid high gearing ratio like the gearing ratio of 51.0% as at 31 March 2016, which benefits our Groups and Shareholders as a whole, and enhance our capital structure. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes our Group to increasing financial costs in the future.

*(iv) Diversification of shareholder base and have more liquidity in trading of Shares:*

Our Directors believe that the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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Although the amount of expenses for the Listing represents a significant proportion of the gross proceeds from the Listing, such expenses are non-recurring by nature for which we would not have to repay following completion of the Listing.

For the reasons stated above, our Directors believe that the Listing is beneficial to us in the long run.

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## UNDERWRITING

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### PUBLIC OFFER UNDERWRITERS

ChaoShang Securities  
Dakin Securities

### JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

ChaoShang Securities  
Dakin Securities

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Public Offer

#### Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

#### Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Joint Bookrunners:
  - (a) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading in any material respect when given or repeated or

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## UNDERWRITING

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there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Public Offer; or

- (b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Public Offer; or
  - (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Joint Bookrunners to be material in the context of the Public Offer; or
  - (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Bookrunners, a material omission in the context of the Public Offer; or
  - (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of the executive Directors and the Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
  - (f) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Joint Bookrunners, is material;
2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/ or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or

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## UNDERWRITING

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- (b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
- (c) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
- (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or
- (f) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
- (g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong or the PRC; or
- (h) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- (i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which in the reasonable opinion of the Joint Bookrunners acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

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## UNDERWRITING

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For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

### UNDERTAKINGS TO THE STOCK EXCHANGE UNDER THE LISTING RULES

#### **By us**

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Share Offer, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

#### **By our Controlling Shareholders**

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement, it/he/she shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a controlling shareholder (as defined in the Listing Rules).

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## UNDERWRITING

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Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) when it/he/she pledges or charges any Shares beneficially owned by it/him/her in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

### **UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT**

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the Over-allotment Option), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, the Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

- (i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the “**First Six-month Period**”).

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## UNDERWRITING

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In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Joint Bookrunners, our Company and the Public Offer Underwriters that during the First Six-month Period, he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for he/she/it shall not, without the prior written consent of the Joint Bookrunners unless as a result of any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it or he is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (iii) enter or agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of the Controlling Shareholders has jointly and severally undertaken to the Joint Bookrunners, the Joint Lead Managers, our Company and the Public Offer Underwriters that it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or him or any of its or his associates or companies controlled by it or him or her or any nominee or trustee holding in trust for it or him if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.



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## UNDERWRITING

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In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders has further undertaken to each of the Joint Bookrunners, the Joint Lead Managers, our Company and the Public Offer Underwriters that within the first twelve months from the Listing Date, he/she/it will:

- (i) when he/she/it pledges or charges any securities or interests in the securities of our Company beneficially owned by him/her/it directly or indirectly, immediately inform our Company and the Joint Bookrunners in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

### THE PLACING

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and Expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by him/her/it in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph “Underwriting Arrangements and Expenses – Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

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## **UNDERWRITING**

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### **COMMISSIONS AND EXPENSES**

The Underwriters will receive a gross underwriting commission at the rate of 3.5% of the aggregate Offer Price payable for the Offer Shares (including shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$31.6 million in aggregate (based on an Offer Price of HK\$0.40 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.38 per Offer Share and HK\$0.42 per Offer Share and the assumption that none of the Over-allotment Option is exercised) and is paid or payable by our Company and the Selling Shareholder with reference to the number of New Shares and Sale Shares under the Share Offer respectively.

### **UNDERWRITERS' INTERESTS IN OUR COMPANY**

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor 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 member of our Group nor any interest in the Share Offer.

### **INDEPENDENCE OF THE SOLE SPONSOR**

Dakin Capital, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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

No action has been taken to permit a public offering of the Offer Shares other than in Public Offer, or the distribution of this prospectus in any jurisdiction other than Hong Kong.

Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any 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. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. Dakin Capital is the Sole Sponsor. Dakin Securities and ChaoShang Securities are the Joint Bookrunners and the Joint Lead Managers.

The Share Offer consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 37,500,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “Structure and conditions of the Share Offer – The Public Offer” of this prospectus; and
- the Placing of 337,500,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) in Hong Kong as described under the paragraph headed “Structure and conditions of the Share Offer – The Placing” of this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional and professional investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Structure and conditions of the Share Offer – Pricing and allocation” of this prospectus.

### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$0.42 per Offer Share and is expected to be not less than HK\$0.38 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.42 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,545.40 for one board lot of 6,000 Shares. Each Application Form includes a table

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.38 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

### **Determining the Offer Price**

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Wednesday, 7 June 2017.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Wednesday, 7 June 2017 and in any event, no later than 6:00 p.m. on Thursday, 8 June 2017.

**If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 6:00 p.m. on Thursday, 8 June 2017, the Share Offer will not proceed and will lapse.**

### **Reduction in Offer Price range and/or number of Offer Shares**

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (for themselves and on behalf of the Underwriters) considers it appropriate and together with our consent (for ourselves and on behalf of the Selling Shareholder), the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published by our Company on the websites of our Company and the Stock Exchange at [www.kinshingholdings.com.hk](http://www.kinshingholdings.com.hk) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” of this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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**Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.**

### **Allocation**

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, 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, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the 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. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **Announcement of final Offer Price and basis of allocations**

The applicable final Offer Price, the level of indications of interest in the Placing and the level of applications in the Public Offer and the basis of allocations of the Public Offer Shares are expected to be published on Thursday, 15 June 2017 on our Company's website at [www.kinshingholdings.com.hk](http://www.kinshingholdings.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares – 11. Publication of results" of this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional upon, among other things:

- the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional 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 such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day 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 becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by our Company on the website of our Company and the Stock Exchange at [www.kinshingholdings.com.hk](http://www.kinshingholdings.com.hk) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse.

**Share certificates for the Offer Shares are expected to be issued on Thursday, 15 June 2017 but will only become valid certificates of title at 8:00 a.m. on Friday, 16 June 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed “Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised.**

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PUBLIC OFFER

#### Number of Shares initially offered

Our Company is initially offering 37,500,000 Shares at the Offer Price, representing 10% of the 375,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer (assuming that none of the Over-allotment Option is exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the sub-section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” above.

#### Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which 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.

The total number of Public Offer Shares initially being offered for subscription under the Public Offer) (after taking into account any reallocation in the number of Offer Shares allocated between the Public Offer and the Placing will be divided equally (subject to adjustment of odd lot size) into two pools: Pool A and Pool B, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. 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. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 18,750,000 Public Offer Shares.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **Reallocation**

The allocation of the Shares between the Public Offer and the Placing is subject to reallocation. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Offer Shares available under the Public Offer will be increased to 112,500,000 Shares, 150,000,000 Shares and 187,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate.

If the Public Offer Shares are not fully subscribed for, the Joint Bookrunners may, at its sole and absolute discretion, reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportion as the Joint Bookrunners deem appropriate.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate. On the other hand, the Joint Bookrunners may, at its sole and absolute discretion, reallocate such number of Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Joint Bookrunners.

### **Applications**

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Offer Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he 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 is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PLACING

#### Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the Placing will be 337,500,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

#### Allocation

The Placing Underwriters are soliciting from prospective professional, institutional and other investors, indications of interest in subscribing for the Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of Placing Shares they would be prepared to subscribe for at the Offer Price. This process is known as “book building”. In Hong Kong, retail investors should apply for the Public Offer Shares, as retail investors applying for the Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any Placing Shares.

Allocation of Placing Shares is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and our Shareholders as a whole.

### OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company has granted the Over-allotment Option to the Joint Bookrunners (for themselves and on behalf of the Underwriters) under the Underwriting Agreements.

The Joint Bookrunners (for themselves or on behalf of the Placing Underwriters) can exercise the Over-allotment Option, which will be exercisable at any time from the date of this prospectus to the 30th day from the last day for lodging applications under the Share Offer. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 56,250,000 additional Shares representing 15% of the Offer Shares initially available under the Share Offer. These Shares will be sold or issued at the Offer Price.

If the Over-allotment Option is exercised in full, the additional 56,250,000 Shares and the 375,000,000 Shares initially offered in the Share Offer will represent approximately 3.6% and 24.1% of our Company’s enlarged share capital respectively immediately after completion of the Share Offer and the exercise in full of the Over-allotment Option.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### 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 new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, 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, ChaoShang Securities, as stabilising manager, or any person acting for it, on behalf of the Underwriters may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on ChaoShang Securities or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of ChaoShang Securities and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 56,250,000 Shares, which is 15% of the number of Offer Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- ChaoShang Securities, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which ChaoShang Securities, or any person acting for it, will maintain such a position;
- liquidation of any such long position by ChaoShang Securities may have an adverse impact on the market price of the Shares;

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- no stabilising action can be taken to support the price of the 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 last business day immediately before the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by 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, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period. Such stabilisation action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO.

All stabilising actions will be taken in accordance with the laws, rules and regulation in place in Hong Kong on stabilisation.

### STOCK BORROWING AGREEMENT

ChaoShang Securities, as stabilising manager, or any person acting for it may choose to borrow 56,250,000 Shares from Five Continental, under a stock borrowing agreement (the “**Stock Borrowing Agreement**”, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Five Continental will only be effected by the stabilising manager for settlement of over-allocations in the Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Five Continental under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Five Continental or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;

- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Five Continental by the stabilising manager or its authorised agents in relation to such stock borrowing arrangement.

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 16 June 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 16 June 2017. The Shares will be traded in board lots of 6,000 Shares. The stock code of the Shares will be 1630.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form service** at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the **HK eIPO White Form Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); 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 Joint Bookrunners may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form service** for the Public Offer Shares.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer;
- an associate or a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 May 2017 to 12:00 noon on Monday, 5 June 2017 from:

- (i) the following addresses of the Public Offer Underwriters:

<b>Dakin Securities Limited</b>	Room 2701, 27th Floor, Tower 1 Admiralty Centre, 18 Harcourt Road, Hong Kong
<b>ChaoShang Securities Limited</b>	Room 4001-4002, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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(ii) any of the branches of DBS Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	United Centre Branch	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point, Hong Kong
Kowloon	Nathan Road EB Centre	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok, Kowloon
	Canton Road DBS Treasures Centre	G/F, Hanley House, 68 Canton Road, Tsimshatsui, Kowloon
	Kowloon Bay EB Centre	Shop 6, G/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 May 2017 until 12:00 noon on Monday, 5 June 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "TING HONG NOMINEES LIMITED – KIN SHING 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, 31 May 2017 – 9:00 a.m. to 5:00 p.m.
- Thursday, 1 June 2017 – 9:00 a.m. to 5:00 p.m.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- Friday, 2 June 2017 – 9:00 a.m. to 5:00 p.m.
- Saturday, 3 June 2017 – 9:00 a.m. to 12:00 noon
- Monday, 5 June 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 5 June 2017, the last application day or such later time as described in “10. Effect of bad weather on the opening of the applications lists” in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form service**, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies 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 Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) **agree** to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree and warrant** that you have complied with all such laws and none of our Company, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant and undertake** that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorise** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare and represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (xvii) **understand** that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may see the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form service** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

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 Wednesday, 31 May 2017 until Monday, 5 June 2017 and the latest time for completing full payment of application monies in respect of such applications will be at 12:00 noon on Monday, 5 June 2017 or such later time under the “10. Effect of bad weather on the opening of the applications lists” in this section.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form service** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form service** or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (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 Center**  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - **agree** to accept the Public Offer Shares applied for or any lesser number allocated;
  - **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any 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;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- **confirm** that you understand that our Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, 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 Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (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

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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 6,000 Public Offer Shares. Instructions for more than 6,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, 31 May 2017 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Thursday, 1 June 2017 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Friday, 2 June 2017 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Monday, 5 June 2017 – 8:00 a.m.<sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 31 May 2017 until 12:00 noon on Monday, 5 June 2017 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 5 June 2017, the last application day or such later time as described in “10. Effect of bad weather on the opening of the application lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form 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 Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form 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, Monday, 5 June 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:



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **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 6,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 6,000 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**.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer – Pricing and allocation”.

### 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 Monday, 5 June 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 Monday, 5 June 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”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications 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, 15 June 2017, to be published at our Company’s website at [www.kinshingholdings.com.hk](http://www.kinshingholdings.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the dates and times and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.kinshingholdings.com.hk](http://www.kinshingholdings.com.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m., Thursday, 15 June 2017;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m., Thursday, 15 June 2017 to 12:00 midnight, on Wednesday, 21 June 2017;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 15 June 2017 to Tuesday, 20 June 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 15 June 2017 to Monday, 19 June 2017 at all the receiving bank's designated sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **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 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **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;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- our Company or the Joint Bookrunners 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 18,750,000 Public Offer Shares.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.42 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 the section headed “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, 15 June 2017.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 15 June 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., Friday, 16 June 2017 provided that the Share Offer has become unconditional and the right of termination described in the "Underwriting" section 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**

You apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor 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, 15 June 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

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, 15 June 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, 15 June 2017, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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, 15 June 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 Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- ***If you are applying as a CCASS investor participant***

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 June 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(s) from Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 15 June 2017, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 15 June 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### (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, 15 June 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, 15 June 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 June 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, 15 June 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.



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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, 15 June 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 reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司  
Hodgson Impey Cheng Limited

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

31 May 2017

The Directors  
Kin Shing Holdings Limited  
Dakin Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Kin Shing Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016 (the “Relevant Periods”), for inclusion in the prospectus of the Company dated 31 May 2017 (the “Prospectus”) in connection with the initial listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 6 April 2016. Pursuant to a corporate reorganisation as more fully explained in the section headed “History, Corporate Structure and Reorganisation” in the Prospectus (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 27 May 2016.

All the subsidiaries now comprising the Group have adopted 31 March as the financial year end date.

Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ operations	Issued and fully paid up share capital	Equity interest attributable to the Group				As at the date of this report	Principal activities
			As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 December 2016		
Hin Lone Holdings Limited (“Hin Lone”)	The British Virgin Islands (“BVI”), 22 April 2016	US\$1	N/A	N/A	N/A	100% (direct)	100% (direct)	Investment holding

Name of subsidiary	Place and date of incorporation/ operations	Issued and fully paid up share capital	Equity interest attributable to the Group				As at the date of this report	Principal activities
			As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 December 2016		
Leung Pui Form Mould & Engineering Co. Limited ("Leung Pui")	Hong Kong, 23 November 2001	HK\$20,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Timber formwork and metal formwork
Five Dragons Form Mould Limited ("Five Dragons")	Hong Kong, 2 January 2013	HK\$1	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Timber formwork and metal formwork
Ho Yip Construction Company Limited ("Ho Yip")	Hong Kong, 14 November 2001	HK\$20,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Building construction works
Mastery Engineering Limited ("Mastery")	Hong Kong, 17 March 1994	HK\$100,000	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Timber formwork
Kin Wo Form Mould Engineering Limited ("Kin Wo")	Hong Kong, 27 May 2009	HK\$1	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	100% (indirect)	Timber formwork

No audited statutory financial statements have been prepared for the Company and Hin Lone since their respective dates of incorporation as they were incorporated in a country where there is no statutory audit requirement and they have not carried on any business.

The statutory financial statements of the following Hong Kong incorporated subsidiaries for each of the years ended 31 March 2014, 2015 and 2016 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by the following certified public accountants registered in Hong Kong, except for the statutory financial statements of Leung Pui for the years ended 31 March 2015 and 2016 which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Name of subsidiary	Financial year	Name of certified public accountants
Leung Pui	Year ended 31 March 2014	Dickson W.P. Mak & Company
	Year ended 31 March 2015	Woo Yuen Fai Vincent
	Year ended 31 March 2016	Global Vision CPA Limited

<b>Name of subsidiary</b>	<b>Financial year</b>	<b>Name of certified public accountants</b>
Five Dragons	From 2 January 2013 (date of incorporation) to 31 March 2014	Lee Chi Fai & Co.
	Year ended 31 March 2015	Woo Yuen Fai Vincent
	Year ended 31 March 2016	Global Vision CPA Limited
Ho Yip	Year ended 31 March 2014	Leung Yau Wing & Co.
	Year ended 31 March 2015	Woo Yuen Fai Vincent
	Year ended 31 March 2016	Global Vision CPA Limited
Mastery	Year ended 31 March 2014	Dickson W.P. Mak & Company
	Year ended 31 March 2015	Woo Yuen Fai Vincent
	Year ended 31 March 2016	Global Vision CPA Limited
Kin Wo	Year ended 31 March 2014	Sino Corp CPA Limited
	Year ended 31 March 2015	Sino Corp CPA Limited
	Year ended 31 March 2016	Global Vision CPA Limited

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with HKFRSs issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 2 of Section A below and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 2 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2014, 2015 and 2016 and 31 December 2016, and of the Company as at 31 December 2016, and of the consolidated financial performance and consolidated cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the nine months ended 31 December 2015 together with the notes thereon have been extracted from the unaudited consolidated financial information of the Group for the same period (the “31 December 2015 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We have conducted our review on the 31 December 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by Independent Auditor of the Entity” issued by the HKICPA. Our review of the 31 December 2015 Financial Information consists of making enquiries, 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 HKSA 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 on the 31 December 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 December 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## A. FINANCIAL INFORMATION

## Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016	Nine months ended 31 December 2015	Nine months ended 31 December 2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Revenue	6	199,813	483,330	599,354	481,041	574,342
Direct costs		<u>(182,777)</u>	<u>(439,148)</u>	<u>(529,265)</u>	<u>(426,034)</u>	<u>(494,272)</u>
Gross profit		17,036	44,182	70,089	55,007	80,070
Other income	7	16	468	882	548	1,245
Other losses	8	–	(815)	(11)	(12)	(16)
Administrative expenses		(6,047)	(8,032)	(15,635)	(8,292)	(19,438)
Finance costs	9	<u>(165)</u>	<u>(135)</u>	<u>(221)</u>	<u>(155)</u>	<u>(118)</u>
Profit before tax		10,840	35,668	55,104	47,096	61,743
Income tax expense	10	<u>(2,096)</u>	<u>(5,936)</u>	<u>(8,949)</u>	<u>(7,679)</u>	<u>(11,165)</u>
Profit and total comprehensive income for the year/period	11	<u>8,744</u>	<u>29,732</u>	<u>46,155</u>	<u>39,417</u>	<u>50,578</u>
Profit and total comprehensive income for the year/period attributable to owners of the Company		<u>8,744</u>	<u>29,732</u>	<u>46,155</u>	<u>39,417</u>	<u>50,578</u>

## Consolidated statements of financial position

		As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 December 2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>					
Property, plant and equipment	15	10	7	2,015	11,737
Deferred tax assets	28	208	2,256	3,490	5,665
		<u>218</u>	<u>2,263</u>	<u>5,505</u>	<u>17,402</u>
<b>Current assets</b>					
Trade and other receivables	17	27,415	72,205	43,416	137,886
Amounts due from customers for contract work	18	22,985	23,744	44,678	49,119
Amounts due from related companies	19	2,923	1,567	7,235	–
Amounts due from directors	20	5,719	14,381	–	–
Tax recoverable		–	197	–	–
Bank balances and cash	21	5,506	20,504	40,209	46,952
		<u>64,548</u>	<u>132,598</u>	<u>135,538</u>	<u>233,957</u>
		<u>64,766</u>	<u>134,861</u>	<u>141,043</u>	<u>251,359</u>
<b>Current liabilities</b>					
Trade and other payables	23	33,194	67,396	64,510	111,980
Amounts due to customers for contract work	18	2,922	15,858	30,542	27,511
Amount due to ultimate holding company	24	–	–	–	2,500
Amounts due to directors	25	–	–	2,954	113
Obligation under finance lease	26	–	–	240	–
Bank borrowings	27	1,570	789	7,235	15,000
Tax payable		5,142	11,407	12,686	23,465
		<u>42,828</u>	<u>95,450</u>	<u>118,167</u>	<u>180,569</u>
<b>Net current assets</b>		<u>21,720</u>	<u>37,148</u>	<u>17,371</u>	<u>53,388</u>
<b>Total assets less current liabilities</b>		<u>21,938</u>	<u>39,411</u>	<u>22,876</u>	<u>70,790</u>

		As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 December 2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>					
Obligation under finance lease	26	–	–	827	–
Deferred tax liabilities	28	–	–	–	1,163
		–	–	827	1,163
<b>Net assets</b>		<u>21,938</u>	<u>39,411</u>	<u>22,049</u>	<u>69,627</u>
<b>Capital and reserves</b>					
Share capital	29	140	140	140	–
Reserves		21,798	39,271	21,909	69,627
<b>Total equity</b>		<u>21,938</u>	<u>39,411</u>	<u>22,049</u>	<u>69,627</u>



## Statement of financial position

	<i>Notes</i>	<b>As at 31 December 2016</b> <i>HK\$'000</i>
<b>Non-current asset</b>		
Investment in a subsidiary	<i>16</i>	<u>–</u>
<b>Current assets</b>		
Amount due from a subsidiary	<i>22</i>	2,890
Bank balances		<u>106</u>
		<u>2,996</u>
<b>Current liability</b>		
Amount due to ultimate holding company	<i>24</i>	<u>2,500</u>
<b>Net current assets</b>		<u>496</u>
<b>Total assets less current liabilities</b>		<u><u>496</u></u>
<b>Capital and reserves</b>		
Share capital	<i>29</i>	–
Reserve	<i>30</i>	<u>496</u>
<b>Total equity</b>		<u><u>496</u></u>

## Consolidated statements of changes in equity

	Share capital <i>HK\$'000</i> <i>(Note 29)</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2013	140	–	20,943	21,083
Profit and total comprehensive income for the year	–	–	8,744	8,744
Dividends recognised as distribution <i>(Note 14)</i>	–	–	(7,889)	(7,889)
As at 31 March 2014	140	–	21,798	21,938
Profit and total comprehensive income for the year	–	–	29,732	29,732
Dividends recognised as distribution <i>(Note 14)</i>	–	–	(12,259)	(12,259)
As at 31 March 2015	140	–	39,271	39,411
Profit and total comprehensive income for the year	–	–	46,155	46,155
Dividends recognised as distribution <i>(Note 14)</i>	–	–	(63,517)	(63,517)
As at 31 March 2016	140	–	21,909	22,049
Profit and total comprehensive income for the period	–	–	50,578	50,578
Dividend recognised as distribution <i>(Note 14)</i>	–	–	(3,000)	(3,000)
Effect of the Reorganisation	(140)	140	–	–
As at 31 December 2016	<u>–</u>	<u>140</u>	<u>69,487</u>	<u>69,627</u>
(Unaudited)				
As at 1 April 2015	140	–	39,271	39,411
Profit and total comprehensive income for the period	–	–	39,417	39,417
Dividends recognised as distribution <i>(Note 14)</i>	–	–	(10,307)	(10,307)
As at 31 December 2015	<u>140</u>	<u>–</u>	<u>68,381</u>	<u>68,521</u>

*Note:* Other reserve represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired upon the Reorganisation and the consideration paid for the acquisition.

## Consolidated statements of cash flows

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Nine months ended 31 December 2015 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2016 <i>HK\$'000</i>
<b>Operating activities</b>					
Profit before tax	10,840	35,668	55,104	47,096	61,743
Adjustments for:					
Finance costs	165	135	221	155	118
Interest income	–	–	(19)	(18)	(1)
Impairment loss on amount due from a related company	–	815	–	–	–
Depreciation of property, plant and equipment	3	3	180	38	1,108
Operating cash flows before movements in working capital	11,008	36,621	55,486	47,271	62,968
(Increase)/Decrease in trade and other receivables	(19,062)	(44,790)	28,789	5,325	(94,470)
Increase in amounts due from customers for contract work	(12,181)	(759)	(20,934)	(11,639)	(4,441)
Increase/(Decrease) in trade and other payables	23,120	34,202	(2,886)	3,201	47,470
Increase/(Decrease) in amounts due to customers for contract work	1,760	12,936	14,684	10,932	(3,031)
Cash generated from operations	4,645	38,210	75,139	55,090	8,496
Income tax paid	(1,101)	(1,916)	(8,707)	(379)	(1,398)
<b>Net cash generated from operating activities</b>	<u>3,544</u>	<u>36,294</u>	<u>66,432</u>	<u>54,711</u>	<u>7,098</u>

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Nine months ended 31 December 2015 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2016 <i>HK\$'000</i>
<b>Investing activities</b>					
Interest received	–	–	19	18	1
(Advances to)/ Repayments from related companies	(437)	541	1,932	(9,278)	–
Repayments from/ (Advances to) directors	6,106	(8,662)	(14,619)	(23,870)	–
Purchases of property, plant and equipment	(11)	–	(928)	(881)	(10,830)
<b>Net cash generated from/(used in) investing activities</b>	<u>5,658</u>	<u>(8,121)</u>	<u>(13,596)</u>	<u>(34,011)</u>	<u>(10,829)</u>
<b>Financing activities</b>					
Dividends paid	(7,889)	(12,259)	(34,517)	(10,307)	(500)
Advances from/ (Repayments to) directors	–	–	2,954	–	(2,841)
Interest paid	(165)	(135)	(221)	(155)	(118)
Repayments of obligation under finance lease	–	–	(193)	(134)	(1,067)
New bank loans raised	840	–	–	–	15,000
Repayments of bank loans	(529)	(781)	(1,154)	(759)	–
<b>Net cash (used in)/generated from financing activities</b>	<u>(7,743)</u>	<u>(13,175)</u>	<u>(33,131)</u>	<u>(11,355)</u>	<u>10,474</u>

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Nine months ended 31 December 2015 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2016 <i>HK\$'000</i>
<b>Net increase in cash and cash equivalents</b>	1,459	14,998	19,705	9,345	6,743
Cash and cash equivalents at the beginning of year/period	<u>4,047</u>	<u>5,506</u>	<u>20,504</u>	<u>20,504</u>	<u>40,209</u>
<b>Cash and cash equivalents at the end of year/period</b>	<u><u>5,506</u></u>	<u><u>20,504</u></u>	<u><u>40,209</u></u>	<u><u>29,849</u></u>	<u><u>46,952</u></u>
Represented by: Bank balances and cash	<u><u>5,506</u></u>	<u><u>20,504</u></u>	<u><u>40,209</u></u>	<u><u>29,849</u></u>	<u><u>46,952</u></u>

## Notes to the Financial Information

### 1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 April 2016. Its parent and ultimate holding company is Five Continental Enterprise Limited (“Five Continental”), a company incorporated in the British Virgin Islands. The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” of the Prospectus.

The Group is principally engaged in the provision of formwork works and building construction works.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

### 2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

To rationalise the corporate structure in preparation for the Listing on the Main Board of the Stock Exchange, the entities comprising the Group underwent the Reorganisation which mainly involved (i) incorporation of the Company as an exempted company with limited liability in the Cayman Islands on 6 April 2016 and (ii) interspersing investment holding companies, including the Company, between the operating subsidiaries and the ultimate equity shareholders, Mr. Leung Chi Kit, Mr. Chow Siu Yu and Ms. Tso Yuk Ching (the “Controlling Shareholders”). Upon completion of the Reorganisation, the Company became the holding company of the Group on 27 May 2016.

The Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the Relevant Periods or since their respective dates of incorporation where this is a shorter period before and after the Reorganisation. Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods includes the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods or since their respective dates of incorporation where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted all the new and revised HKFRSs which are effective for annual accounting period beginning on 1 April 2016 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs that have been issued but are not yet effective. The Group has not early applied these new and amendments to HKFRSs.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

#### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group’s consolidated financial statements. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

**HKFRS 16 Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 33, the total operating lease commitment of the Group as at 31 December 2016 amounted to approximately HK\$72,000. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's financial performance, but it is expected that certain portion of the lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the Financial Information.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and



- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **Merger accounting for business combination involving entities under common control**

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

#### **Investment in a subsidiary**

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment loss. The result of the subsidiary is accounted for by the Company on the basis of dividend received and receivable.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Retirement benefit costs**

Payments to defined contribution retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### **Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

### **Impairment losses on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### ***Financial assets***

The Group's financial assets are classified into the category of loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

### ***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### ***Other financial liabilities***

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

#### ***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Related parties***

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

### **Construction contracts**

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contract, as well as the work done to date. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

A considerable amount of judgement is required in estimating the total contract revenue, contract costs, variation orders and contract claims which may have an impact in terms of percentage of completion and job profit taken.

### **Estimated impairment of trade and other receivables**

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.



## 6. REVENUE AND SEGMENT INFORMATION

Revenue represents an appropriate proportion of contract revenue from formwork works and building construction works.

The following is an analysis of the Group's revenue from its major services:

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Nine months ended 31 December 2015 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2016 <i>HK\$'000</i>
Provision of formwork works	186,042	466,565	598,480	480,666	574,242
Provision of building construction works	<u>13,771</u>	<u>16,765</u>	<u>874</u>	<u>375</u>	<u>100</u>
	<u><u>199,813</u></u>	<u><u>483,330</u></u>	<u><u>599,354</u></u>	<u><u>481,041</u></u>	<u><u>574,342</u></u>

Information reported to the Company's executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on the types of services provided. The Group's reportable and operating segments under "HKFRS 8 – Operating Segments" are as follows:

1. Formwork works – Provision of formwork works
2. Building construction works – Provision of building construction works

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

#### For the year ended 31 March 2014

	Formwork works <i>HK\$'000</i>	Building construction works <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>			
External sales and segment revenue	<u>186,042</u>	<u>13,771</u>	<u>199,813</u>
Segment profit	<u>11,547</u>	<u>1,389</u>	12,936
Unallocated expenses			(1,931)
Finance costs			<u>(165)</u>
Profit before tax			<u><u>10,840</u></u>

## For the year ended 31 March 2015

	<b>Formwork works</b> <i>HK\$'000</i>	<b>Building construction works</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Revenue</b>				
External sales	466,565	16,765	–	483,330
Inter-segment sales	<u>534</u>	<u>–</u>	<u>(534)</u>	<u>–</u>
Segment revenue	<u>467,099</u>	<u>16,765</u>	<u>(534)</u>	<u>483,330</u>
Segment profit	<u>36,397</u>	<u>2,560</u>	<u>–</u>	38,957
Impairment loss on amount due from a related company				(815)
Unallocated expenses				(2,339)
Finance costs				<u>(135)</u>
Profit before tax				<u>35,668</u>

## For the year ended 31 March 2016

	<b>Formwork works</b> <i>HK\$'000</i>	<b>Building construction works</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Revenue</b>				
External sales	598,480	874	–	599,354
Inter-segment sales	<u>104</u>	<u>–</u>	<u>(104)</u>	<u>–</u>
Segment revenue	<u>598,584</u>	<u>874</u>	<u>(104)</u>	<u>599,354</u>
Segment profit	<u>62,785</u>	<u>40</u>	<u>–</u>	62,825
Interest income from bank deposits				19
Unallocated expenses				(7,519)
Finance costs				<u>(221)</u>
Profit before tax				<u>55,104</u>

## For the nine months ended 31 December 2016

	<b>Formwork works</b> <i>HK\$'000</i>	<b>Building construction works</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Revenue</b>			
External sales and segment revenue	<u>574,242</u>	<u>100</u>	<u>574,342</u>
Segment profit/(loss)	<u>71,543</u>	<u>(11)</u>	71,532
Interest income from bank deposits			1
Unallocated expenses			(9,672)
Finance costs			<u>(118)</u>
Profit before tax			<u>61,743</u>

## For the nine months ended 31 December 2015 (Unaudited)

	<b>Formwork works</b> <i>HK\$'000</i>	<b>Building construction works</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Revenue</b>			
External sales and segment revenue	<u>480,666</u>	<u>375</u>	<u>481,041</u>
Segment profit	<u>50,268</u>	<u>17</u>	50,285
Interest income from bank deposits			18
Unallocated expenses			(3,052)
Finance costs			<u>(155)</u>
Profit before tax			<u>47,096</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit/loss represents the profit earned by/loss from each segment without allocation of interest income, impairment loss on amount due from a related company, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
<b>Segment assets</b>				
Formwork works	44,263	90,984	85,733	192,300
Building construction works ( <i>Note</i> )	<u>6,147</u>	<u>4,972</u>	<u>3,510</u>	<u>3,432</u>
Total segment assets	50,410	95,956	89,243	195,732
Unallocated	<u>14,356</u>	<u>38,905</u>	<u>51,800</u>	<u>55,627</u>
Consolidated assets	<u><u>64,766</u></u>	<u><u>134,861</u></u>	<u><u>141,043</u></u>	<u><u>251,359</u></u>
<b>Segment liabilities</b>				
Formwork works	34,965	83,128	93,508	138,740
Building construction works	<u>1,151</u>	<u>126</u>	<u>25</u>	<u>16</u>
Total segment liabilities	36,116	83,254	93,533	138,756
Unallocated	<u>6,712</u>	<u>12,196</u>	<u>25,461</u>	<u>42,976</u>
Consolidated liabilities	<u><u>42,828</u></u>	<u><u>95,450</u></u>	<u><u>118,994</u></u>	<u><u>181,732</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, amounts due from related companies, amounts due from directors, tax recoverable, deferred tax assets and unallocated corporate assets.
- all liabilities are allocated to operating segments other than bank borrowings, obligation under finance lease, amount due to ultimate holding company, amounts due to directors, tax payable, deferred tax liabilities and unallocated corporate liabilities.

*Note:* The segment assets attributable to the 'Building construction works' segment as at 31 December 2016 mainly represent the retention money receivables and the amounts due from customers for contract work of certain completed projects. No impairment is considered necessary for these segment assets as the directors are of the opinion that the amounts could be recovered in full based on historical experience and are expected to be received before December 2017.

**Other segment information****For the year ended 31 March 2014**

	<b>Formwork works <i>HK\$'000</i></b>	<b>Building construction works <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	11	–	11
Depreciation of property, plant and equipment	<u>3</u>	<u>–</u>	<u>3</u>

## For the year ended 31 March 2015

	<b>Formwork works</b> <i>HK\$'000</i>	<b>Building construction works</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:			
Depreciation of property, plant and equipment	3	–	3

## For the year ended 31 March 2016

	<b>Formwork works</b> <i>HK\$'000</i>	<b>Building construction works</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	2,188	–	2,188
Depreciation of property, plant and equipment	180	–	180

## For the nine months ended 31 December 2016

	<b>Formwork works</b> <i>HK\$'000</i>	<b>Building construction works</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	10,830	–	10,830
Depreciation of property, plant and equipment	1,108	–	1,108

## For the nine months ended 31 December 2015 (Unaudited)

	<b>Formwork works</b> <i>HK\$'000</i>	<b>Building construction works</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	2,141	–	2,141
Depreciation of property, plant and equipment	38	–	38

**Geographical information**

The Group's operations are located in Hong Kong. All of the Group's revenue is derived from external customers located in Hong Kong and the Group's non-current assets are all located in Hong Kong.

**Information about major customers**

Revenue from customers for the Relevant Periods contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Nine months ended 31 December 2015 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2016 <i>HK\$'000</i>
Customer A <sup>1</sup>	92,247	292,785	366,753	297,275	218,600
Customer B <sup>1</sup>	90,731	159,613	188,017	154,950	100,045
Customer H <sup>1</sup>	<u>N/A<sup>2</sup></u>	<u>N/A<sup>2</sup></u>	<u>N/A<sup>2</sup></u>	<u>N/A<sup>2</sup></u>	<u>97,326</u>

<sup>1</sup> Revenue from provision of formwork works.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

**7. OTHER INCOME**

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Nine months ended 31 December 2015 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2016 <i>HK\$'000</i>
Interest income from bank deposits	–	–	19	18	1
Management fee income	16	–	–	–	–
Sales of scrap materials	–	15	318	313	136
Sundry income	–	453	545	217	1,108
	<u>16</u>	<u>468</u>	<u>882</u>	<u>548</u>	<u>1,245</u>

**8. OTHER LOSSES**

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Nine months ended 31 December 2015 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2016 <i>HK\$'000</i>
Impairment loss on amount due from a related company	–	815	–	–	–
Net foreign exchange loss	–	–	11	12	16
	<u>–</u>	<u>815</u>	<u>11</u>	<u>12</u>	<u>16</u>

## 9. FINANCE COSTS

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Nine months ended 31 December 2015 HK\$'000 (Unaudited)	Nine months ended 31 December 2016 HK\$'000
Interest expense on:					
Bank loans and overdrafts	165	135	182	128	74
Obligation under finance lease	—	—	39	27	44
	<u>165</u>	<u>135</u>	<u>221</u>	<u>155</u>	<u>118</u>

## 10. INCOME TAX EXPENSE

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Nine months ended 31 December 2015 HK\$'000 (Unaudited)	Nine months ended 31 December 2016 HK\$'000
Current tax:					
Hong Kong Profits Tax					
– Current year/ period	2,281	7,994	10,183	8,946	12,177
– Under/(Over) provision in prior year	9	(10)	—	—	—
	<u>2,290</u>	<u>7,984</u>	<u>10,183</u>	<u>8,946</u>	<u>12,177</u>
Deferred tax ( <i>Note 28</i> ):					
Origination and reversal of temporary differences	(194)	(2,048)	(1,234)	(1,267)	(1,012)
	<u>2,096</u>	<u>5,936</u>	<u>8,949</u>	<u>7,679</u>	<u>11,165</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Nine months ended 31 December 2015 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2016 <i>HK\$'000</i>
Profit before tax	<u>10,840</u>	<u>35,668</u>	<u>55,104</u>	<u>47,096</u>	<u>61,743</u>
Tax at Hong Kong Profits Tax rate of 16.5%	1,788	5,885	9,092	7,770	10,188
Tax effect of expenses not deductible for tax purpose	22	144	1	1	999
Tax effect of income not taxable for tax purpose	–	–	(3)	(3)	–
Tax effect of tax losses not recognised	298	46	57	49	18
Utilisation of tax losses previously not recognised	–	(68)	(82)	(8)	–
Under/(Over) provision in prior year	9	(10)	–	–	–
Others	<u>(21)</u>	<u>(61)</u>	<u>(116)</u>	<u>(130)</u>	<u>(40)</u>
Tax charge for the year/period	<u>2,096</u>	<u>5,936</u>	<u>8,949</u>	<u>7,679</u>	<u>11,165</u>



## 11. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging:

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Nine months ended 31 December 2015 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2016 <i>HK\$'000</i>
Directors' emoluments ( <i>Note 12</i> )	2,901	4,208	6,055	4,803	6,221
Other staff costs	108,143	262,830	326,021	304,299	283,568
Contributions to retirement benefit scheme, excluding those of directors	<u>3,845</u>	<u>7,981</u>	<u>10,378</u>	<u>8,273</u>	<u>9,185</u>
Total staff costs	114,889	275,019	342,454	317,375	298,974
Less: Amounts charged to direct costs	(105,700)	(276,817)	(331,500)	(316,534)	(279,474)
Less: Amounts charged to administrative expenses	<u>(4,241)</u>	<u>(6,244)</u>	<u>(8,958)</u>	<u>(6,612)</u>	<u>(10,682)</u>
Amounts capitalised in/(transferred out from) contracts in progress	<u>4,948</u>	<u>(8,042)</u>	<u>1,996</u>	<u>(5,771)</u>	<u>8,818</u>
Depreciation of property, plant and equipment	3	3	180	38	1,108
Auditors' remuneration	90	102	102	–	–
Listing expenses	<u>–</u>	<u>–</u>	<u>3,726</u>	<u>–</u>	<u>6,039</u>

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## Directors' and chief executive's emoluments

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Relevant Periods were as follows:

## For the year ended 31 March 2014

Name of directors	Fees HK\$'000	Other emoluments		Total HK\$'000
		Salaries and allowances HK\$'000	Contributions to retirement benefit scheme HK\$'000	
Mr. Leung Chi Kit	–	1,013	15	1,028
Ms. Tso Yuk Ching	–	520	15	535
Mr. Chow Dik Cheung	–	541	15	556
Mr. Chan Sik Mau	–	768	14	782
	–	2,842	59	2,901

## For the year ended 31 March 2015

Name of directors	Fees HK\$'000	Other emoluments		Total HK\$'000
		Salaries and allowances HK\$'000	Contributions to retirement benefit scheme HK\$'000	
Mr. Leung Chi Kit	–	1,644	17	1,661
Ms. Tso Yuk Ching	–	660	18	678
Mr. Chow Dik Cheung	–	635	18	653
Mr. Chan Sik Mau	–	1,200	16	1,216
	–	4,139	69	4,208

## For the year ended 31 March 2016

Name of directors	Fees HK\$'000	Other emoluments		Total HK\$'000
		Salaries and allowances HK\$'000	Contributions to retirement benefit scheme HK\$'000	
Mr. Leung Chi Kit	–	3,383	18	3,401
Ms. Tso Yuk Ching	–	1,350	14	1,364
Mr. Chow Dik Cheung	–	834	18	852
Mr. Chan Sik Mau	–	420	18	438
	–	5,987	68	6,055

## For the nine months ended 31 December 2016

Name of directors	Fees HK\$'000	Other emoluments		Total HK\$'000
		Salaries and allowances HK\$'000	Contributions to retirement benefit scheme HK\$'000	
Mr. Leung Chi Kit	–	3,615	14	3,629
Ms. Tso Yuk Ching	–	1,615	14	1,629
Mr. Chow Dik Cheung	–	606	13	619
Mr. Chan Sik Mau	–	331	13	344
	–	6,167	54	6,221

## For the nine months ended 31 December 2015 (Unaudited)

Name of directors	Fees HK\$'000	Other emoluments		Total HK\$'000
		Salaries and allowances HK\$'000	Contributions to retirement benefit scheme HK\$'000	
Mr. Leung Chi Kit	–	2,647	14	2,661
Ms. Tso Yuk Ching	–	1,200	12	1,212
Mr. Chow Dik Cheung	–	581	14	595
Mr. Chan Sik Mau	–	322	13	335
	–	4,750	53	4,803

Mr. Leung Chi Kit was appointed as director of the Company on 6 April 2016 and was re-designated as executive director of the Company on 30 May 2016. Ms. Tso Yuk Ching, Mr. Chow Dik Cheung and Mr. Chan Sik Mau were appointed as executive directors of the Company on 30 May 2016. Mr. Chow Dik Cheung is also the chief executive officer of the Company and his emoluments disclosed above include those services rendered by him as chief executive officer.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

None of the Company's directors waived or agreed to waive any emoluments during the Relevant Periods.

#### Employees' emoluments

	<b>Year ended 31 March 2014</b> <i>(Number of individuals)</i>	<b>Year ended 31 March 2015</b> <i>(Number of individuals)</i>	<b>Year ended 31 March 2016</b> <i>(Number of individuals)</i>	<b>Nine months ended 31 December 2015</b> <i>(Number of individuals)</i> (Unaudited)	<b>Nine months ended 31 December 2016</b> <i>(Number of individuals)</i>
Directors	3	2	3	2	2
Non-directors individuals	<u>2</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>
5 highest-paid individuals	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>

The emoluments of the above non-director, highest paid individuals were as follows:

	<b>Year ended 31 March 2014</b> <i>HK\$'000</i>	<b>Year ended 31 March 2015</b> <i>HK\$'000</i>	<b>Year ended 31 March 2016</b> <i>HK\$'000</i>	<b>Nine months ended 31 December 2015</b> <i>HK\$'000</i> (Unaudited)	<b>Nine months ended 31 December 2016</b> <i>HK\$'000</i>
Salaries and allowances	1,145	2,640	1,671	2,308	2,281
Contributions to retirement benefit scheme	<u>30</u>	<u>52</u>	<u>36</u>	<u>41</u>	<u>41</u>
Total emoluments	<u><u>1,175</u></u>	<u><u>2,692</u></u>	<u><u>1,707</u></u>	<u><u>2,349</u></u>	<u><u>2,322</u></u>

*Note:* The emoluments of each of the above non-director, highest paid individuals were below HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the Company's directors or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

**13. 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 preparation of the results of the Group for the Relevant Periods on a basis as disclosed in Note 2.

**14. DIVIDENDS**

During the nine months ended 31 December 2016, the Company had declared a dividend of HK\$3,000,000 to Five Continental.

Prior to the Reorganisation, the subsidiaries had declared dividends to their then shareholders as follows:

	<b>Year ended 31 March 2014 HK\$'000</b>	<b>Year ended 31 March 2015 HK\$'000</b>	<b>Year ended 31 March 2016 HK\$'000</b>	<b>Nine months ended 31 December 2015 HK\$'000 (Unaudited)</b>	<b>Nine months ended 31 December 2016 HK\$'000</b>
Declared by:					
Leung Pui	4,289	12,259	51,517	10,307	–
Five Dragons	–	–	12,000	–	–
Kin Wo	3,600	–	–	–	–
	<u>7,889</u>	<u>12,259</u>	<u>63,517</u>	<u>10,307</u>	<u>–</u>

The rate of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Motor vehicle HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Tools HK\$'000	Total HK\$'000
<b>Cost</b>						
As at 1 April 2013	–	–	15	201	–	216
Additions	–	–	–	11	–	11
As at 31 March 2014 and 31 March 2015	–	–	15	212	–	227
Additions	727	1,260	21	180	–	2,188
As at 31 March 2016	727	1,260	36	392	–	2,415
Additions	–	950	45	–	9,835	10,830
As at 31 December 2016	727	2,210	81	392	9,835	13,245
<b>Accumulated depreciation</b>						
As at 1 April 2013	–	–	15	199	–	214
Provided for the year	–	–	–	3	–	3
As at 31 March 2014 Provided for the year	–	–	15	202	–	217
	–	–	–	3	–	3
As at 31 March 2015 Provided for the year	–	–	15	205	–	220
	48	84	1	47	–	180
As at 31 March 2016 Provided for the period	48	84	16	252	–	400
	109	315	8	29	647	1,108
As at 31 December 2016	157	399	24	281	647	1,508
<b>Carrying amounts</b>						
As at 31 March 2014	–	–	–	10	–	10
As at 31 March 2015	–	–	–	7	–	7
As at 31 March 2016	679	1,176	20	140	–	2,015
As at 31 December 2016	570	1,811	57	111	9,188	11,737

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	20%
Motor vehicle	20%
Office equipment	20%
Furniture and fixtures	20%
Tools	20%

The carrying amount of motor vehicle held under finance lease at the end of each reporting period is as follows:

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
Motor vehicle held under finance lease	—	—	1,176	—

#### 16. INVESTMENT IN A SUBSIDIARY

	As at 31 December 2016 <i>HK\$</i>
Unlisted investment, at cost	8
	<i>HK\$'000</i>
Shown in the Financial Information	—

#### 17. TRADE AND OTHER RECEIVABLES

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
Trade receivables	22,244	60,716	27,945	103,452
Retention money receivables	4,982	11,277	14,338	30,200
Prepayments				
– Prepaid listing expenses	—	—	866	3,011
– Others	5	13	33	12
Deposits and other receivables	184	199	234	1,211
	<u>27,415</u>	<u>72,205</u>	<u>43,416</u>	<u>137,886</u>

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aging analysis of the Group's trade receivables at the end of each reporting period, presented based on the progress payment certificate date:

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
0-30 days	22,244	60,716	27,945	103,441
31-60 days	—	—	—	11
	<u>22,244</u>	<u>60,716</u>	<u>27,945</u>	<u>103,452</u>

The Group's trade receivables at 31 March 2014, 2015 and 2016 are neither past due nor impaired. Included in the Group's trade receivable balance at 31 December 2016 is a debtor with a carrying amount of approximately HK\$11,000 which is past due as at the reporting date for which the Group has not provided for impairment loss as the Group considered such balance could be recovered based on historical experience. The Group does not hold any collateral over this balance. The age of this balance is less than 30 days overdue.

Retention money receivables in respect of the contract work are settled in accordance with the terms of the respective contracts. The retention money receivables held by customers for contract work that are expected to be recovered or settled in more than twelve months from the end of the reporting period are as follows:

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
Retention money receivables after 1 year	<u>4,258</u>	<u>7,275</u>	<u>7,513</u>	<u>23,683</u>

#### 18. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:				
Contract costs incurred plus recognised profits less recognised losses	255,880	725,267	1,109,240	1,598,899
Less: progress billings received and receivable	<u>(235,817)</u>	<u>(717,381)</u>	<u>(1,095,104)</u>	<u>(1,577,291)</u>
	<u>20,063</u>	<u>7,886</u>	<u>14,136</u>	<u>21,608</u>
Analysed for reporting purposes as:				
Amounts due from customers for contract work	22,985	23,744	44,678	49,119
Amounts due to customers for contract work	<u>(2,922)</u>	<u>(15,858)</u>	<u>(30,542)</u>	<u>(27,511)</u>
	<u>20,063</u>	<u>7,886</u>	<u>14,136</u>	<u>21,608</u>



## 19. AMOUNTS DUE FROM RELATED COMPANIES

	Maximum amount outstanding during				As at 1 April 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 December 2016
	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016	Nine months ended 31 December 2016					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pine Luck Development Limited	2,165	2,165	-	-	1,750	2,165	-	-	-
San Yip Decoration Company Limited	758	758	761	-	736	758	758	-	-
Five Dragons Properties Limited ("Five Dragons Properties")	-	809	18,089	7,235	-	-	809	7,235	-
					<u>2,486</u>	<u>2,923</u>	<u>1,567</u>	<u>7,235</u>	<u>-</u>

These related companies are companies in which the director of the Company, Mr. Leung Chi Kit has beneficial interests.

The amounts due from related companies are non-trade nature, unsecured, interest-free and repayable on demand.

The amounts of approximately HK\$7,235,000 due by Five Dragons Properties to the Group was fully settled on 29 April 2016.

## 20. AMOUNTS DUE FROM DIRECTORS

	Maximum amount outstanding during				As at 1 April 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 December 2016
	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016	Nine months ended 31 December 2016					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Leung Chi Kit	8,968	11,742	33,606	-	4,947	4,280	10,237	-	-
Ms. Tso Yuk Ching	8,115	4,144	7,158	-	6,878	1,439	4,144	-	-
					<u>11,825</u>	<u>5,719</u>	<u>14,381</u>	<u>-</u>	<u>-</u>

The amounts due from directors are non-trade nature, unsecured, interest-free and repayment on demand.

**21. BANK BALANCES AND CASH**

Bank balances comprise short-term bank deposits with an original maturity of three months or less at the end of each reporting period. The bank balances carry interest at market rates which are as follows:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 December 2016
Range of interest rate per annum	<u>0.01%</u>	<u>0.01% – 0.25%</u>	<u>0.01% – 0.25%</u>	<u>0.01% – 0.25%</u>

**22. AMOUNT DUE FROM A SUBSIDIARY**

The amount due from a subsidiary is unsecured, interest-free and repayment on demand.

**23. TRADE AND OTHER PAYABLES**

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
Trade payables	11,697	12,588	12,205	17,777
Advances received from customers for contract work	–	9,891	12,400	12,500
Accruals and other payables				
– Accrued salaries	6,962	35,808	19,687	50,638
– Accrued sub-contracting fee	12,268	5,564	12,508	20,343
– Others	<u>2,267</u>	<u>3,545</u>	<u>7,710</u>	<u>10,722</u>
	<u>33,194</u>	<u>67,396</u>	<u>64,510</u>	<u>111,980</u>

The following is an aging analysis of the Group's trade payables at the end of each reporting period, presented based on the invoice date:

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
0-30 days	5,469	7,366	3,338	5,869
31-60 days	3,388	5,222	6,849	7,264
61-90 days	2,490	–	1,730	4,622
Over 90 days	<u>350</u>	<u>–</u>	<u>288</u>	<u>22</u>
	<u>11,697</u>	<u>12,588</u>	<u>12,205</u>	<u>17,777</u>

At the end of each reporting period, the amount due to a related party included in the Group's trade payables is as follows:

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
King Fu Plastic Products Limited ("King Fu")	<u>87</u>	<u>2,312</u>	<u>2,998</u>	<u>2,344</u>

King Fu is owned as to 50% by Mr. Tso Kwong Wa and 50% by Ms. Wong Siu Fong, who are the brother and sister-in-law of Ms. Tso Yuk Ching respectively.

#### 24. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is non-trade nature, unsecured, interest-free and repayment on demand.

#### 25. AMOUNTS DUE TO DIRECTORS

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
Mr. Leung Chi Kit	–	–	1,868	113
Ms. Tso Yuk Ching	<u>–</u>	<u>–</u>	<u>1,086</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>2,954</u>	<u>113</u>

The amounts due to directors are non-trade nature, unsecured, interest-free and repayment on demand. The amount will be fully settled upon the Listing.

## 26. OBLIGATION UNDER FINANCE LEASE

The Group leased a motor vehicle under a finance lease with a lease term of 5 years. Interest rate underlying the obligation under finance lease was fixed at contract inception at 2% per annum. The Group's obligation under finance lease was secured by the lessor's title to the leased asset and the personal guarantee from Mr. Leung Chi Kit to the extent of approximately HK\$1,260,000.

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 December 2016 HK\$'000	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 December 2016 HK\$'000
<b>Amounts payable under finance leases</b>								
Within one year	-	-	277	-	-	-	240	-
In more than one year but not more than two years	-	-	277	-	-	-	250	-
In more than two years but not more than five years	-	-	601	-	-	-	577	-
	-	-	1,155	-	-	-	1,067	-
Less: future finance charges	-	-	(88)	-	-	-	-	-
Present value of lease obligation	-	-	1,067	-	-	-	1,067	-
Less: Amount due for settlement within one year (shown under current liabilities)					-	-	(240)	-
Amount due for settlement after one year					-	-	827	-

The amount payable under finance lease was fully settled on 13 May 2016.

## 27. BANK BORROWINGS

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 December 2016 HK\$'000
Secured bank loans	1,570	789	7,235	15,000
Scheduled payment terms of bank borrowings contain a repayment on demand clause (shown under current liabilities)				
Within one year	781	579	447	15,000
More than one year, but not more than two years	579	210	456	-
More than two years, but not more than five years	210	-	1,423	-
More than five years	-	-	4,909	-
	1,570	789	7,235	15,000

At 31 March 2014 and 2015, the Group's bank loans are fixed-rate borrowings which carry interest at rates ranging from 4.68% to 8.16% per annum and are repayable in instalments over three years from their respective commencement dates. All fixed-rate bank borrowings were fully repaid by the Group during the year ended 31 March 2016.

In May 2015, the Group raised a variable-rate bank loan which is repayable in instalments over 15 years from its commencement date and carries interest at 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.75% per annum. This bank loan is a mortgage loan and is solely for the usage by Five Dragons Properties to purchase a property. On 29 April 2016, the mortgage loan was repaid in full by Mr. Leung Chi Kit on behalf of the Group.

During the nine months ended 31 December 2016, the Group raised variable-rate bank loans totalling HK\$15,000,000 which are revolving loans and carry interest at HIBOR plus 2.25% per annum.

At 31 March 2014 and 2015, the fixed-rate bank borrowings are secured by (i) an unlimited personal guarantee from Mr. Leung Chi Kit and (ii) personal guarantees from Ms. Tso Yuk Ching to the extent of HK\$1,500,000.

At 31 March 2016, the variable-rate bank borrowing is secured by (i) an unlimited personal guarantee from Mr. Leung Chi Kit and (ii) first legal charge over a property at Unit D, 9/F, Billion Plaza 2, No.10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong executed by Five Dragons Properties.

At 31 December 2016, the variable-rate bank borrowings are secured by (i) an unlimited personal guarantee from Mr. Leung Chi Kit and (ii) charge over the Group's trade receivables and retention money receivables with an aggregate amount of approximately HK\$133,652,000.

The guarantee from Mr. Leung Chi Kit will be released upon the Listing.

## 28. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>As at 31 March 2014 HK\$'000</b>	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 31 December 2016 HK\$'000</b>
Deferred tax assets	208	2,256	3,490	5,665
Deferred tax liabilities	—	—	—	(1,163)
	<u>208</u>	<u>2,256</u>	<u>3,490</u>	<u>4,502</u>

The following is the major deferred tax assets/(liabilities) recognised and movements thereon during the Relevant Periods:

	<b>Unrealised profits of intercompany transactions</b> <i>HK\$'000</i>	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 April 2013	14	–	14
Credit to profit or loss	<u>194</u>	<u>–</u>	<u>194</u>
As at 31 March 2014	208	–	208
Credit to profit or loss	<u>2,048</u>	<u>–</u>	<u>2,048</u>
As at 31 March 2015	2,256	–	2,256
Credit to profit or loss	<u>1,234</u>	<u>–</u>	<u>1,234</u>
As at 31 March 2016	3,490	–	3,490
Credit/(Charge) to profit or loss	<u>2,175</u>	<u>(1,163)</u>	<u>1,012</u>
As at 31 December 2016	<u><u>5,665</u></u>	<u><u>(1,163)</u></u>	<u><u>4,502</u></u>

At 31 March 2014, 2015, 2016 and 31 December 2016, the Group has unused tax losses of approximately HK\$1,804,000, HK\$1,671,000, HK\$1,522,000 and HK\$1,638,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams in the respective entities. The tax losses may carry forward indefinitely.

In addition, the Group did not recognise deferred tax asset in respect of deductible temporary differences associated with decelerated tax depreciation amounting to HK\$7,000, HK\$6,000, HK\$5,000 and HK\$4,000 as at 31 March 2014, 2015, 2016 and 31 December 2016 respectively due to the unpredictability of future profit streams in the respective entities.

**29. SHARE CAPITAL**

For the purpose of the Financial Information, the share capital shown on the consolidated statements of financial position as at 31 March 2014, 2015 and 2016 represents the aggregate share capital of Leung Pui, Five Dragons, Ho Yip, Mastery and Kin Wo. The share capital shown on the consolidated statement of financial position as at 31 December 2016 represents the share capital of the Company. Details of movements of share capital of the Company are as follows:

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 6 April 2016 (date of incorporation) and 31 December 2016	<u>39,000,000</u>	<u>390,000</u>
Issued and fully paid:		
Issue of share upon incorporation	1	–
Issue of shares during the period	<u>9,999</u>	<u>100</u>
At 31 December 2016	<u>10,000</u>	<u>100</u>
		<i>HK\$'000</i>
Shown in the Financial Information		<u>–</u>

The Company was incorporated in the Cayman Islands on 6 April 2016 with an authorised share capital of HK\$390,000 divided into 39,000,000 ordinary shares with a par value of HK\$0.01 each. Upon incorporation, one share was allotted and issued to the subscriber, which was transferred to Five Continental at par value on the same date. On 6 April 2016, the Company further allotted and issued 9,999 ordinary shares at par value to Five Continental.

**30. RESERVE OF THE COMPANY**

	Retained profit HK\$
At 6 April 2016 (date of incorporation)	–
Profit and total comprehensive income for the period	3,496
Dividend recognised as distribution ( <i>Note 14</i> )	<u>(3,000)</u>
At 31 December 2016	<u>496</u>

**31. RETIREMENT BENEFIT SCHEME**

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% of relevant payroll costs to the scheme, which contribution is matched by employees and subject to a monthly cap of HK\$1,500 (HK\$1,250 prior to 1 June 2014) for each employee.

The total expenses recognised in profit or loss amount to approximately HK\$3,904,000, HK\$8,050,000, HK\$10,446,000, HK\$8,326,000 (Unaudited) and HK\$9,239,000 for the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2015 and 2016 respectively, and represent contributions payable to this scheme by the Group at rates specified in the rules of the scheme.

## 32. RELATED PARTY TRANSACTIONS

## (a) Transactions with related parties

During the Relevant Periods, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transaction	Year ended	Year ended	Year ended	Nine months ended 31	Nine months ended 31
		31 March 2014	31 March 2015	31 March 2016	December 2015	December 2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
King Fu	Purchases of raw materials ( <i>notes (i) &amp; (v)</i> )	452	6,102	9,344	6,637	7,452
Hoover Construction & Engineering Limited ("Hoover") ( <i>notes (ii)</i> )	Contract revenue from formwork works and building construction works ( <i>notes (iii) &amp; (v)</i> )	53	–	3,154	1,056	5,100
Five Dragons Properties	Rent ( <i>notes (iv) &amp; (v)</i> )	–	–	253	101	455

*Notes:*

- (i) The purchases of raw materials were made according to market prices.
- (ii) Hoover is a company in which Mr. Chow Siu Yu has significant influence.
- (iii) The construction contracts were made in accordance with market prices and conditions similar to those offered to major customers of the Group.
- (iv) The rental expenses are based on tenancy agreements entered into between the parties involved.
- (v) The directors of the Company represented that the transaction will continue in the future after the listing of the Company's shares on the Main Board of the Stock Exchange. This related party transaction will constitute a continuing connected transaction under the Listing Rules upon Listing.

## (b) Outstanding balances with related parties

Details of outstanding balances with related parties of the Group at the end of each reporting period are set out in Notes 19, 20, 23, 24 and 25.

## (c) Guarantees provided by related parties

Details of personal guarantees provided by related parties in connection with the banking facilities granted to the Group and the obligation under finance lease at the end of each reporting period are set out in Notes 26 and 27.



**(d) Pledges over assets of related parties**

Details of pledges over assets of related parties in connection with the banking facilities granted to the Group at the end of each reporting period are set out in Note 27.

**(e) Compensation of key management personnel**

The emoluments of the Company's directors, who are also identified as members of key management of the Group, are set out in Note 12.

**33. OPERATING LEASES****The Group as lessee**

	<b>Year ended 31 March 2014 HK\$'000</b>	<b>Year ended 31 March 2015 HK\$'000</b>	<b>Year ended 31 March 2016 HK\$'000</b>	<b>Nine months ended 31 December 2015 HK\$'000 (Unaudited)</b>	<b>Nine months ended 31 December 2016 HK\$'000</b>
Minimum lease payments paid under operating leases					
– Premises	779	769	647	438	816
– Equipment	<u>2,699</u>	<u>5,614</u>	<u>7,377</u>	<u>4,250</u>	<u>11,616</u>
	<u>3,478</u>	<u>6,383</u>	<u>8,024</u>	<u>4,688</u>	<u>12,432</u>

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	<b>As at 31 March 2014 HK\$'000</b>	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 31 December 2016 HK\$'000</b>
Within one year	488	20	367	69
In the second to fifth years inclusive	<u>–</u>	<u>3</u>	<u>7</u>	<u>3</u>
	<u>488</u>	<u>23</u>	<u>374</u>	<u>72</u>

Operating lease payments represent rentals payable by the Group for its premises and equipment. Leases are negotiated for an average term of 2 years and rentals are fixed throughout the lease period.

**34. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31 March 2016 and the nine months ended 31 December 2015, the Group raised a mortgage loan of HK\$7,600,000 solely for the usage by Five Dragons Properties to purchase a property.

During the year ended 31 March 2016, the Group entered into finance lease arrangement in respect of motor vehicle with a total capital value at the inception of the lease of approximately HK\$1,260,000.

During the year ended 31 March 2016, dividends of HK\$17,000,000 and HK\$12,000,000 declared by Leung Pui and Five Dragons respectively to its then shareholder were settled through offsetting the amount due from Mr. Leung Chi Kit.

During the nine months ended 31 December 2016, the outstanding mortgage loan of HK\$7,235,000 was repaid in full by Mr. Leung Chi Kit on behalf of the Group and such amount due to Mr. Leung Chi Kit was set-off against the amount due from Five Dragons Properties.

**35. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debt (which includes bank borrowings, obligation under finance lease, amount due to ultimate holding company and amounts due to directors) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group monitors its capital structure on the basis of gearing ratio. The Group considers the cost of capital and the risks associated with each class of the capital, and will balance the gearing ratio through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at the end of each reporting period was as follows:

	<b>As at 31 March 2014 HK\$'000</b>	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 31 December 2016 HK\$'000</b>
Debt	<u>1,570</u>	<u>789</u>	<u>11,256</u>	<u>17,613</u>
Equity	<u>21,938</u>	<u>39,411</u>	<u>22,049</u>	<u>69,627</u>
Gearing ratio	<u>7%</u>	<u>2%</u>	<u>51%</u>	<u>25%</u>

## 36. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 December 2016 HK\$'000
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Trade and other receivables	27,410	72,192	42,517	134,863
Amounts due from related companies	2,923	1,567	7,235	–
Amounts due from directors	5,719	14,381	–	–
Bank balances and cash	5,506	20,504	40,209	46,952
	<u>41,558</u>	<u>108,644</u>	<u>89,961</u>	<u>181,815</u>
<b>Financial liabilities</b>				
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	33,194	57,505	52,110	99,480
Amount due to ultimate holding company	–	–	–	2,500
Amounts due to directors	–	–	2,954	113
Obligation under finance lease	–	–	1,067	–
Bank borrowings	1,570	789	7,235	15,000
	<u>34,764</u>	<u>58,294</u>	<u>63,366</u>	<u>117,093</u>

## (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies, amounts due from directors, bank balances, trade and other payables, amount due to ultimate holding company, amounts due to directors, obligation under finance lease and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

*Foreign currency risk*

The Group has certain financial assets denominated in foreign currencies, which exposure to the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of each reporting period are as follows:

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 December 2016 HK\$'000
Monetary assets denominated in:				
– Renminbi (“RMB”)	–	209	527	136
– United States dollar (“US\$”)	–	2	2	–
	<u>–</u>	<u>2</u>	<u>2</u>	<u>–</u>

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

#### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and obligation under finance lease.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's bank loans denominated in HK\$.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank loans at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. 50 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.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2016 and the nine months ended 31 December 2016 would decrease/increase by approximately HK\$30,000 and HK\$63,000 respectively. This is mainly attributable to the Group's exposure to interest rate risk on its variable-rate bank loans.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

#### *Credit risk*

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation or high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk in relation to its trade receivables as follows:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 December 2016
Percentage to the total trade receivables				
– Due from the largest customer	70%	58%	40%	26%
– Due from the five largest customers	<u>100%</u>	<u>100%</u>	<u>96%</u>	<u>86%</u>

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both contractual interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

*Liquidity table*

Non-derivative financial liabilities	Weighted average interest rate	On demand or less than 1 year HK\$'000	Between 1 year and 2 years HK\$'000	Between 2 years and 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>31 March 2014</b>						
Trade and other payables	–	33,194	–	–	33,194	33,194
Bank borrowings	6.41%	1,570	–	–	1,570	1,570
		<u>34,764</u>	<u>–</u>	<u>–</u>	<u>34,764</u>	<u>34,764</u>
<b>31 March 2015</b>						
Trade and other payables	–	57,505	–	–	57,505	57,505
Bank borrowings	6.41%	789	–	–	789	789
		<u>58,294</u>	<u>–</u>	<u>–</u>	<u>58,294</u>	<u>58,294</u>
<b>31 March 2016</b>						
Trade and other payables	–	52,110	–	–	52,110	52,110
Amounts due to directors	–	2,954	–	–	2,954	2,954
Obligation under finance lease	2.00%	277	277	601	1,155	1,067
Bank borrowings	2.09%	7,235	–	–	7,235	7,235
		<u>62,576</u>	<u>277</u>	<u>601</u>	<u>63,454</u>	<u>63,366</u>
<b>31 December 2016</b>						
Trade and other payables	–	99,480	–	–	99,480	99,480
Amount due to ultimate holding company		2,500	–	–	2,500	2,500
Amounts due to directors	–	113	–	–	113	113
Bank borrowings	2.82%	15,000	–	–	15,000	15,000
		<u>117,093</u>	<u>–</u>	<u>–</u>	<u>117,093</u>	<u>117,093</u>

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The expected cash flow information of such bank loans (based on the schedule of repayments set out in the loan agreements) are set out in the table below.

*Maturity analysis – Bank loans with a repayment on demand clause based on scheduled repayments*

	Less than 1 year <i>HK\$'000</i>	Between 1 year and 2 years <i>HK\$'000</i>	Between 2 years and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 31 March 2014	924	627	217	–	1,768	1,570
At 31 March 2015	627	217	–	–	844	789
At 31 March 2016	586	586	1,758	5,373	8,303	7,235
At 31 December 2016	15,036	–	–	–	15,036	15,000

**(c) Fair value measurements of financial instruments**

*Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The directors of the Company estimate the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

**B. SUBSEQUENT EVENTS**

The following significant events took place subsequent to 31 December 2016:

- (a) The Company has conditionally adopted a share option scheme on 23 May 2017, summary of terms and conditions of which are set out in the section headed “Share Option Scheme” in Appendix V “Statutory and General Information” to the Prospectus. No share option has been granted since the adoption of the Share Option Scheme.
- (b) On 23 May 2017, the authorised share capital of the Company was increased from HK\$390,000 to HK\$31,200,000 by the creation of an additional 3,081,000,000 new shares of HK\$0.01 each.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2016.

Yours faithfully,  
**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*  
**Jonathan T.S. Lai**  
 Practising Certificate Number: P04165  
 Hong Kong

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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*The information set out in this Appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.*

*The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Main Board Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed listing might have affected the consolidated net tangible assets of our Group as if the Share Offer had occurred on 31 December 2016. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of our Group's financial results and positions of the financial periods concerned.*

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 December 2016. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 December 2016 or at any future date following the Share Offer.

	<b>Audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2016 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from the Share Offer HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$ (Note 3)</b>
Based on the Offer Price of HK\$0.38 per Share	<u>69,627</u>	<u>85,351</u>	<u>154,978</u>	<u>0.10</u>
Based on the Offer Price of HK\$0.42 per Share	<u>69,627</u>	<u>95,194</u>	<u>164,821</u>	<u>0.11</u>

*Notes:*

- The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2016 is extracted without adjustment from the Accountants' Report set out in Appendix I to this prospectus.



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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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2. The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$0.38 and HK\$0.42 per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses (excluding approximately HK\$9,765,000 listing related expenses which have been accounted for prior to 31 December 2016), but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is determined after the adjustments as described in note 2 above and on the basis that 1,500,000,000 Shares are issued and outstanding as set out in the section headed “Share Capital” in this prospectus, but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.
4. No adjustment has been made to reflect any trading result or other transactions entered into subsequent to 31 December 2016.

**B.    REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.*



**國衛會計師事務所有限公司**  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF KIN SHING HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Kin Shing Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2016 and related notes (the "Pro Forma Financial Information") as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 May 2017 (the "Prospectus"). The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed public offer and placing of the Company's shares (the "Share Offer") on the Group's financial position as at 31 December 2016 as if the Share Offer had taken place at 31 December 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 each of the three years ended 31 March 2016 and the nine months ended 31 December 2016, on which an accountants' report has been published.

**Directors' Responsibility for the Pro Forma Financial Information**

The directors are responsible for compiling the 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").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the 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 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 Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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:

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**HLB Hodgson Impey Cheng Limited***Certified Public Accountants***Jonathan T.S. Lai**

Practising Certificate Number: P04165

Hong Kong, 31 May 2017

*Our estimate of the consolidated profit for the year ended 31 March 2017 is set out in the section headed “Financial information – Profit estimate for the year ended 31 March 2017” in this prospectus.*

**(A) PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2017**

Our Directors have prepared the estimate of the consolidated profit of the Group for the year ended 31 March 2017 based on the audited consolidated results of the Group for the nine months ended 31 December 2016 and the unaudited consolidated results based on the management accounts of the Group for three months ended 31 March 2017. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarised in the accountants’ report, the text of which is set out in Appendix I to this prospectus.

**Profit estimate for the year ended 31 March 2017**

**Estimate for  
the year ended  
31 March 2017**

Estimated consolidated profit attributable to owners of the Company	not less than HK\$67.0 million
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*Note:* The estimated consolidated profit attributable to owners of the Company for year ended 31 March 2017 has taken into account of the expected listing expenses to be incurred during year ended 31 March 2017 of approximately HK\$6.9 million.

(B) LETTER FROM THE REPORTING ACCOUNTANTS



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

31 May 2017

The Board of Directors  
Kin Shing Holdings Limited  
Unit D, 9/F, Billion Plaza 2  
10 Cheung Yue Street  
Cheung Sha Wan  
Kowloon  
Hong Kong

Dakin Capital Limited  
Room 2701, Admiralty Centre  
Tower 1, 18 Harcourt Road  
Admiralty  
Hong Kong

Dear Sirs,

Kin Shing Holdings Limited (the “Company”)

**Profit Estimate for Year Ended 31 March 2017**

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 March 2017 (the “Profit Estimate”) set forth in the section headed Financial Information in the prospectus of the Company dated 31 May 2017 (the “Prospectus”).

**Directors’ Responsibilities**

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 31 December 2016 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 March 2017.

The Company’s directors are solely responsible for the Profit Estimate.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 31 May 2017, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,  
**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*  
**Jonathan T.S. Lai**  
Practising Certificate Number: P04165  
Hong Kong

## (C) LETTER FROM THE SOLE SPONSOR

The following in the text of a report, prepared for inclusion in this prospectus, received from Dakin Capital Limited, the Sole Sponsor, in connection with the profit estimate for the year ended 31 March 2017.



The Directors  
**Kin Shing Holdings Limited**  
Unit D, 9/F  
Billion Plaza 2  
10 Cheung Yue Street  
Cheung Sha Wan  
Kowloon  
Hong Kong

31 May 2017

Dear Sirs,

We refer to the estimate of the combined profit of Kin Shing Holdings Limited (the “**Company**”, together with its subsidiaries, hereinafter collectively referred to as the “**Group**”) for the year ended 31 March 2017 (the “**Profit Estimate**”) as set out in the prospectus issued by the Company dated 31 May 2017 (the “**Prospectus**”).

The Profit Estimate, for which the Directors are solely responsible, has been prepared by the Directors, based on the audited combined results for the nine months ended 31 December 2016 and the unaudited combined results based on the management accounts of the Group for the three months ended 31 March 2017.

We have discussed with you the bases upon which the Profit Estimate has been made. We have also considered the letter dated 31 May 2017 addressed to you and us from HLB Hodgson Impey Cheng Limited regarding the accounting policies and calculations upon which the Profit Estimate as been made.



On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by HLB Hodgson Impey Cheng Limited, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of  
**Dakin Capital Limited**  
**Tam Kin Fong**  
*Managing Director*

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 April 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 23 May 2017. 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 Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

*(iv) Transfer of shares*

Subject to the 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 Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***(iv) Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue



debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.  
Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the 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 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 authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.



**(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 summarized in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 6 April 2016 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### (a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 26 April 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 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 authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official

liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 6 April 2016. Our Company has established a principal place of business in Hong Kong at Unit D, 9/F, Billion Plaza 2, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 24 June 2016. Mr. Chow Kit Ting who resides at Flat A, 60/F, Tower 9, Metro Town, Tiu Keng Leng, Hong Kong has been appointed as an 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 is incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution documents comprise the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

**2. Changes in share capital of our Company**

- (a) Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 6 April 2016 with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued fully paid to the initial subscriber at par. On the same date, the one Share held by the initial subscriber was transferred to Five Continental and an aggregate of 9,999 Shares of our Company were allotted and issued to Five Continental.
- (b) On 23 May 2017, the authorised share capital of our Company was increased from HK\$390,000 to HK\$31,200,000 by the creation of an additional 3,081,000,000 new Shares pursuant to a resolution in writing passed by its sole Shareholder referred to in the paragraph headed “Written resolutions of the sole Shareholder” below.

Immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$31,200,000 divided into 3,120,000,000 Shares and the issued share capital of our Company will be HK\$15,000,000 divided into 1,500,000,000 Shares, all fully paid or credited as fully paid, with 1,620,000,000 Shares remaining unissued.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of the sole Shareholder” below and the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, 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 the Shareholder 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 Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section "History, corporate structure and reorganisation" of this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

### **4. Written resolutions of the sole Shareholder**

Pursuant to the written resolutions of our sole Shareholder passed on 23 May 2017, among other things:

- (a) our Company approved and adopted the Articles, the terms of which are summarised in Appendix IV to this prospectus;
- (b) the authorised share capital of our Company was increased from HK\$390,000 to HK\$31,200,000 by the creation of additional 3,081,000,000 Shares of HK\$0.01 each;
- (c) conditional on (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option 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 (collectively the "**Conditions**"):
  - (i) the Share Offer and the Over-allotment Option 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 Over-allotment Option;
  - (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) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$12,449,900 standing to the credit of our Company's share premium account towards paying up in full at par 1,244,990,000 Shares for allotment and issue to holders of Shares whose names appeared on the register of members of our Company at the close of business on 23 May 2017 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing shareholdings in our Company and the Shares to be allotted and issued pursuant to the resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the Capitalisation Issue) and our Directors or any committee of the Board were authorised to give effect to the Capitalisation Issue;

(d) conditional upon the fulfillment of the Conditions:

(i) 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 Over-allotment Option 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 Over-allotment Option 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 our 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;

(ii) 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 Over-allotment Option 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 our 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

- (iii) the general unconditional mandate as mentioned in sub-paragraph (d)(i) 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 (d)(ii) 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 Over-allotment Option and any options which may be granted under the Share Option Scheme.

## 5. Corporate reorganisation

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

- (a) On 29 March 2016, Five Continental was incorporated in BVI with limited liability. Five Continental was authorised to issue a maximum of 50,000 shares of US\$1 each, of which 850 shares were allotted and issued fully paid to Mr. Leung at par and 150 shares were allotted and issued fully paid to Mr. Chow at par. Five Continental was set up as a vehicle of Mr. Leung and Mr. Chow to hold their interests in our Company.
- (b) On 6 April 2016, our Company was incorporated in the Cayman Islands with limited liability with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as fully paid to an initial subscriber at par. On 6 April 2016, such subscriber's Share was transferred to Five Continental for cash at par and the share transfer was legally completed on the same date. Also, an aggregate of 9,999 Shares of our Company were allotted and issued at par to Five Continental. Such allotments and issuances were completed on 6 April 2016.

- (c) On 22 April 2016, Hin Lone was incorporated in the BVI with limited liability by our Company. Hin Lone was authorized to issue a maximum of 50,000 shares of US\$1 each, of which 1 share was allotted and issued as fully paid to our Company at par.
- (d) On 27 May 2016, Mr. Leung entered into a share transfer agreement relating to the entire issued share capital of Five Dragons with Hin Lone, pursuant to which Mr. Leung transferred one share of Five Dragons (which represented the entire issued share capital of Five Dragons) to Hin Lone at the consideration of HK\$1 and such transfer was legally completed on the same date. As a result, Five Dragons became a wholly owned subsidiary of Hin Lone.
- (e) On 27 May 2016, Mr. Leung entered into a share transfer agreement relating to the entire issued share capital of Mastery with Hin Lone, pursuant to which Mr. Leung transferred 100,000 shares of Mastery (which represented the entire issued share capital of Mastery) to Hin Lone at the consideration of HK\$1 and such transfer was legally completed on the same date. As a result, Mastery became a wholly owned subsidiary of Hin Lone.
- (f) On 27 May 2016, Mr. Leung, Mrs. Leung and Mr. Chow entered into a share transfer agreement relating to the entire issued share capital of Leung Pui with Hin Lone, pursuant to which Mr. Leung transferred 20,000 shares of Leung Pui (which represented the entire issued share capital of Leung Pui) to Hin Lone at the consideration of HK\$1, with Mrs. Leung and Mr. Chow acting as confirmors and such transfer was legally completed on the same date. As a result, Leung Pui became a wholly owned subsidiary of Hin Lone.
- (g) On 27 May 2016, Mr. Leung, Mrs. Leung and Mr. Chow entered into a share transfer agreement relating to the entire issued share capital of Ho Yip with Hin Lone, pursuant to which Mr. Leung and Mrs. Leung transferred 8,000 shares and 12,000 shares of Ho Yip (which together represented the entire issued share capital of Ho Yip) respectively to Hin Lone at an aggregate consideration of HK\$1, with Mr. Chow acting as confirmor and such transfers were legally completed on the same date. As a result, Ho Yip became a wholly owned subsidiary of Hin Lone.
- (h) On 27 May 2016, Mrs. Leung entered into a share transfer agreement relating to the entire issued share capital of Kin Wo with Hin Lone, pursuant to which Mrs. Leung transferred one share of Kin Wo (which represented the entire issued share capital of Kin Wo) to Hin Lone at the consideration of HK\$1 and such transfer was legally completed on the same date. As a result, Kin Wo became a wholly owned subsidiary of Hin Lone.

## **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) Provisions of the Listing Rules**

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 sole Shareholder passed on 23 May 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 "Written resolutions of the sole Shareholder" in this Appendix to this 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 "connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or an associate of any of them and a 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 the Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may,

depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

*(c) Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 1,500,000,000 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 Over-allotment Option and any options which may be granted under the Share Option Scheme), could accordingly result in up to 1,500,000,000 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 associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the 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. 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 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**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years immediately 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) the share transfer agreement relating to the entire issued share capital of Five Dragons dated 27 May 2016 entered into between Mr. Leung and Hin Lone, pursuant to which Mr. Leung transferred one share of Five Dragons (which represented the entire issued share capital of Five Dragons) to Hin Lone at the consideration of HK\$1;
- (b) the share transfer agreement relating to the entire issued share capital of Mastery dated 27 May 2016 entered into between Mr. Leung and Hin Lone, pursuant to which Mr. Leung transferred 100,000 shares of Mastery (which represented the entire issued share capital of Mastery) to Hin Lone at the consideration of HK\$1;
- (c) the share transfer agreement relating to the entire issued share capital of Leung Pui dated 27 May 2016 entered into between Mr. Leung, Mrs. Leung, Mr. Chow and Hin Lone, pursuant to which Mr. Leung transferred 20,000 shares of Leung Pui (which represented the entire issued share capital of Leung Pui) to Hin Lone at the consideration of HK\$1, with Mrs. Leung and Mr. Chow acting as confirmors;
- (d) the share transfer agreement relating to the entire issued share capital of Ho Yip dated 27 May 2016 entered into between Mr. Leung, Mrs. Leung, Mr. Chow and Hin Lone, pursuant to which Mr. Leung and Mrs. Leung transferred 8,000 shares and 12,000 shares of Ho Yip (which together represented the entire issued share capital of Ho Yip) respectively to Hin Lone at the consideration of HK\$1, with Mr. Chow acting as confirmor;
- (e) the share transfer agreement relating to the entire issued share capital of Kin Wo dated 27 May 2016 entered into between Mrs. Leung and Hin Lone, pursuant to which Mrs. Leung transferred one share of Kin Wo (which represented the entire issued share capital of Kin Wo) to Hin Lone at the consideration of HK\$1;
- (f) the Deed of Non-competition;
- (g) the Deed of Indemnity; and

(h) the Public Offer Underwriting Agreement.

## C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

### 1. Trademark

(a) As at the Latest Practicable Date, our Group had registered the following trademark in Hong Kong which we believe is material to our business:

Trademark	Name of registered owner	Class (Note)	Registration number	Expiry Date
	Leung Pui	6, 9, 16, 19, 35, 37, 42	303705660	7 March 2026

*Note:*

- |          |   |  |
|----------|---|--|
| Class 6  | – | Common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; ores.   |
| Class 9  | – | Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus. |
| Class 16 | – | Paper and cardboard; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paintbrushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging; printers' type; printing blocks.  |
| Class 19 | – | Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.   |
| Class 35 | – | Advertising; business management; business administration; office functions.   |
| Class 37 | – | Building construction; repair; installation services.  |
| Class 42 | – | Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.   |

## 2. Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which we believe to be material to our business:

Domain Name	Registrant	Registration Date	Expiry Date
leungpui.com.hk	Leung Pui	12 June 2015	19 June 2017
fivedragons.com.hk	The Company	23 August 2016	26 August 2026
kinshingholdings.com.hk	The Company	10 March 2017	14 March 2022

## 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 which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any 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 our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

#### (a) Long position in Shares

Name of Director	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interests of our Company
Mr. Leung	Interest in a controlled corporation ( <i>Note 1</i> )	1,125,000,000 Shares	75%
Mrs. Leung	Family interest ( <i>Note 2</i> )	1,125,000,000 Shares	75%

*Note:*

1. Five Continental will be legally interested in 1,125,000,000 Shares upon Listing. As 85% of shareholding interest of Five Continental is owned by Mr. Leung, Mr. Leung is deemed to be interested in the Shares held by Five Continental under the SFO.
2. Mr. Leung is the spouse of Mrs. Leung. Accordingly, Mrs. Leung is deemed to be interested in the Shares in which Mr. Leung has interest under the SFO.

**(b) Long position in Five Continental, an associated corporation of our Company**

Name of Director	Capacity/nature of interest	Percentage of the issued share capital of Five Continental
Mr. Leung	Beneficial owner	100%
Mrs. Leung	Family interest ( <i>Note</i> )	100%

*Note:* Mr. Leung is the spouse of Mrs. Leung. Accordingly, Mrs. Leung is deemed to be interested in the Shares in which Mr. Leung has interest under the SFO.

**2. Interests and short positions of Substantial Shareholders in the Shares, and underlying Shares of our 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 Over-allotment Option and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

***Long position in Shares***

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interests of our Company
Five Continental ( <i>Note</i> )	Beneficial owner	1,125,000,000	75%

*Note:* Five Continental is owned as to 85% by Mr. Leung and 15% by Mr. Chow, who is the uncle of the executive Director Mr. Chow Dik Cheung. As Mrs. Leung is the spouse of Mr. Leung, Mrs. Leung is deemed to be interested in the shares of Five Continental held by Mr. Leung. Accordingly, Mr. Leung is deemed to be interested in the Shares held by Five Continental under the SFO.

### 3. Particulars of service agreements

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 fixed term of three years commencing from the Listing Date and shall continue thereafter until it is terminated by either party by giving not less than three months' notice in writing at any time after such initial fixed term to the other, provided that our Company may terminate the agreement by giving to the Director not less than three months' prior notice in writing at any time after the date of the agreement. The appointment shall terminate automatically in the event of the executive Director ceasing to be a Director for whatever reason.
- (b) Under the arrangements currently proposed, conditional upon the Listing, the annual remuneration (excluding payment pursuant to any discretionary benefits or bonus, granting of share options or other fringe benefits) payable by our Group to Mr. Leung, Mrs. Leung, Mr. Chow Dik Cheung and Mr. Chan Sik Mau will be approximately HK\$2.2 million, HK\$1.8 million, HK\$0.8 million and HK\$0.8 million respectively.
- (c) Each of the executive Directors may be entitled to, if so recommended by our remuneration committee and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director.

Each of the independent non-executive Directors has entered into a service agreement with our Company under which each of them is appointed for a period of one year commencing from the Listing Date. The annual director's fee payable to each of Mr. Chang Chun Pong, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung under their respective letter of appointment shall be HK\$144,000. 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 each of the three years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016, the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Company to the Directors were approximately HK\$2.9 million, HK\$4.2 million, HK\$6.1 million and HK\$6.2 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 2018 will be approximately HK\$7.0 million. For the year ending 31 March 2018, there will be no material increment in the remuneration of our executive Directors (excluding payment pursuant to any discretionary bonus or granting of share options) as compared to 31 March 2017.

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 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 two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (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 agreements with any member of our Group, excluding agreements which are determinable by the employer within one 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 Over-allotment Option 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 our 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 our Company which have to be notified to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once 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 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 clients.

#### **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 employees” and the Accountants’ Report set out in Appendix I to this prospectus, none of the Directors, or the experts named in the paragraph headed “Qualifications of

experts” in this appendix 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 immediately 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 Accountants’ Report set out in Appendix I to this prospectus and the section headed “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 sole Shareholder of our Company passed on 23 May 2017 are set out below:

### 1. Purpose of the Share Option Scheme

The Share Option Scheme is an incentive scheme 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 achieve the following principal objectives:

- (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

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 any employee (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 non-executive director (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services of 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 the 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 adviser (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 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 subject to any adjustments made pursuant to paragraph 14 below, 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) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the 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 favour 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 (the “**Scheme Mandate Limit**”) unless approved by our Shareholders 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 our Shareholders. 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 our Shareholders 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 our Shareholders 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 our Shareholders at general meeting, with such Eligible Participant and his/her close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant must be sent by our Company to our 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 our 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 of an option).

Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of 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 our Shareholders by poll in a general meeting where the grantee, his/her associates and core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the 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 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 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 (and may only) 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 allotment and issue 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 favour 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/her personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not already exercised) within a period of 12 months following his/her 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/her death, or the termination of his/her 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. The date of cessation as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors 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 the Share Option Scheme remains in effect, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules, give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value provided that in such circumstance, the exercise 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 adviser of our Company or the auditors of our Company must confirm to the Board 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 endeavours 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 our Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to 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 two 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 two 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 (to the extent not already exercised) 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) 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/her employment contract or other contract constituting him an Eligible Employee, or the date on which he/she begins to appear to be unable to pay or has no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he/she 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 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 our 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 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 conditions 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 our Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the grantee as would be required of our Shareholders 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 our Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Share Option Scheme 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 Share Option 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 Over-allotment Option 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.

Our 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. Our 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**

The Controlling Shareholders have, entered into a Deed of Indemnity in favour of our Company (on its own behalf and as trustee for each member of our Group) pursuant to which the Controlling Shareholders have agreed to jointly and severally indemnify each of the members of our Group against, inter alia, the following:

- (a) the amount of any and all taxation which might fall on any of the members of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into on or before the date on which the Share Offer becomes unconditional;
- (b) any actions, claims, losses, payments, charges, settlement payment, costs, penalties, damages or expenses which any or all of the member of our Group may incur or suffer as a result of or in connection with any failure by any or all of the member of our Group to comply with the relevant Hong Kong laws and regulations, including but not limited to those set out in the section headed “Laws and regulations” in this prospectus upon or before the Listing Date;
- (c) any duty, tax or levy which is or hereafter become or should have become payable by our Group by reason of the import or re-import of any dutiable goods, materials or machinery or import or re-import of any processed or semi-finished dutiable goods, materials or machinery or import or re-import of any processed or semi-finished dutiable goods, materials or machinery on or before the Listing Date on which duty, tax or levy has to be paid to the customs and exercise authority or other governmental authority in Hong Kong or other parts of the world pursuant to their respective laws and regulations.
- (d) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may properly and reasonably incur in connection with:
  - (i) the investigation, assessment or the contesting of any claim;
  - (ii) the settlement of any claim under the Deed of Indemnity;
  - (iii) any legal or arbitration proceedings in which any of the member of our Group claims under or in respect of the Deed of Indemnity and in which judgment or award is given in favour of any of the member of our Group; or
  - (iv) the enforcement of any such settlement or judgment or award.

The Controlling Shareholders will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) provision, reserve or allowance has been made for such taxation liability in the audited accounts of our Company or any member of our Group for each of the three years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016; or
- (b) the taxation or liability falling on any member of our Group on or after the Listing Date except liability or claim for such taxation which would not have arisen but for any act or omission of, or transaction voluntarily effected by our Company or any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Controlling Shareholders other than any such act, omission or transaction:
  - (i) carried out or in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or
  - (iii) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of our Group for the purposes of any matter of taxation on or before the Listing Date; or
- (c) the taxation liability arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in law or practice coming into force after the date of this Deed of Indemnity or any retrospective increase in tax rates coming into force after the date of this Deed of Indemnity; or
- (d) any provisions or reserve made for taxation, taxation claim or liability in the audited accounts of our Company or any member of our Group for each of the three years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016 which is finally established to be an over-provision or an excessive reserve, then the Controlling Shareholders' liability (if any) in respect of such taxation, taxation claim or liability shall be reduced by an amount not exceeding such over-provision or excessive reserve; or
- (e) for which any member of our Group is primarily liable in respect of or in consequence of any event occurring or income, profits or gain earned, accrued or received or transactions in the ordinary course of its business after the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

## 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. The Sole Sponsor

The Sole 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 Over-allotment Option and options which may be granted under the Share Option Scheme on the Stock Exchange.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The fees of the Sole Sponsor are HK\$5 million and are payable by our Company.

## 4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$50,000 and are payable by our Company.

## 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:

<b>Name</b>	<b>Qualification</b>
Dakin Capital Limited	Licensed corporation to engage in type 6 (advising on corporate finance) regulated activity under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Cayman Islands legal advisers
IPSOS Limited	Independent market research firm
Roma Appraisals Limited	Independent property valuer
Ng Wing Shan Queenie	Barrister-at-law in Hong Kong

Chan Chung

Barrister-at-law in Hong Kong

## **7. Consents of experts**

Each of the parties listed in the paragraph headed “6. Qualifications of experts” in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter, report, 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 Registrars**

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 our financial prospects of our Company or its subsidiaries since 31 December 2016 (being the date to which the latest audited financial statements of our Company were made up).

## **11. Particulars of Selling Shareholder**

The particulars of the Selling Shareholder are set out as follows:

Name:	Five Continental Enterprise Limited, a company incorporated in BVI
Incorporation date:	29 March 2016
Description:	Investment holding



Registered address: Jayla Place  
Wickhams Cay I  
Road Town  
Tortola  
British Virgin Islands

Number of Sale Shares 120,000,000  
to be sold:

Five Continental is legally and beneficially owned as to 85% and 15% by Mr. Leung (our executive Director and chairman) and Mr. Chow respectively.

## 12. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of 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 our Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of our 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 our 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.

### **13. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies 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.

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**APPENDIX VI                      DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES IN HONG KONG AND  
AVAILABLE FOR PUBLIC INSPECTION**

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**1.    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, amongst other documents, copies of the **WHITE** and **YELLOW** and **GREEN** Application Forms, the written consents referred to under the paragraph headed “F. Other information – 7. Consents of experts” in Appendix V to this prospectus, certified copies of the material contracts referred to under the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this prospectus, and the statement of particulars of the Selling Shareholder.

**2.    DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Hastings & Co. at 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report prepared by HLB Hodgson Impey Cheng Limited, in respect of the historical financial information for the years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016, the text of which is set out in Appendix I to this prospectus;
- (c) the report from HLB Hodgson Impey Cheng Limited on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the Companies Law;
- (e) the letters relating to the profit estimate from HLB Hodgson Impey Cheng Limited and the Dakin Capital Limited, the text of which is set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (g) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this prospectus;
- (h) the written consents referred to in the paragraph headed “F. Other information – 7. Consents of experts” in Appendix V to this prospectus;
- (i) the rules of the Share Option Scheme;
- (j) the service agreements of our Directors referred to in the paragraph headed “D. Disclosure of interests – 3. Particulars of service agreements” in Appendix V to this prospectus;

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**APPENDIX VI                    DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES IN HONG KONG AND  
AVAILABLE FOR PUBLIC INSPECTION**

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- (k) the IPSOS Report;
- (l) the fair rent letter and valuation certificate issued by Roma Appraisals Limited;
- (m) the legal opinion prepared by Ms. Ng Wing Shan Queenie, barrister-at-law in Hong Kong in respect of certain aspects of Hong Kong laws relating to the operation of our Group;
- (n) the legal opinion prepared by Mr. Chan Chung, barrister-at-law in Hong Kong in respect of Mr. Leung's proceedings;
- (o) a statement of particulars of the Selling Shareholder; and
- (p) the audited statutory financial statements of the companies comprising our Group for the Track Record Period.

**Kin Shing Holdings Limited**  
**建成控股有限公司**