

Golden Faith Group Holdings Limited 高豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2863

SHARE OFFER

Sole Sponsor



Joint Bookrunners



Joint Lead Managers



IMPORTANT

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

Golden Faith Group Holdings Limited

高豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares : 135,000,000 Shares (comprising 90,000,000 New Shares and 45,000,000 Sale Shares)
Number of Public Offer Shares : 13,500,000 Shares (subject to adjustment)
Number of Placing Shares : 121,500,000 Shares (subject to adjustment)
Offer Price : Not more than HK\$0.87 per Offer Share and expected to be not less than HK\$0.71 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value : HK\$0.01 per Share
Stock Code : 2863

Sole Sponsor



國元融資(香港)有限公司
GUOYUAN CAPITAL (HONG KONG) LTD

Joint Bookrunners



國元融資(香港)有限公司
GUOYUAN CAPITAL (HONG KONG) LTD

平安證券有限公司
Ping An Securities Limited

Joint Lead Managers



國元融資(香港)有限公司
GUOYUAN CAPITAL (HONG KONG) LTD

平安證券有限公司
Ping An Securities Limited

元大證券(香港)
Yuanta Securities (Hong Kong)

Underwriters



國元融資(香港)有限公司
GUOYUAN CAPITAL (HONG KONG) LTD

平安證券有限公司
Ping An Securities Limited

元大證券(香港)
Yuanta Securities (Hong Kong)

SOMERLEY CAPITAL LIMITED



中天證券有限公司
CHINA SECURITIES LIMITED

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

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

The Offer Price is expected to be determined by an agreement between the Joint Lead Managers (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, which is expected to be on or before Friday, 4 August 2017 (Hong Kong time) or such later date as may be agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder). If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) are unable to agree on the Offer Price on or before Saturday, 5 August 2017 (Hong Kong time) or such later date as agreed by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), the Share Offer will not proceed and will lapse. The Offer Price will be not more than HK\$0.87 and is currently expected to be not less than HK\$0.71, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.87 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.87.

The Joint Lead Managers (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 prior to the Price Determination Date. In such case, notice of such reduction will be published on our Company's website at www.goldenfaith.hk and the website of the Stock Exchange at www.hkexnews.hk as soon as practicable but in any event not later than the Price Determination Date. Further details are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

Prior to making any investment decision, prospective investors should consider carefully all 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 for, the Public Offer Shares, are subject to termination by the Joint Lead Managers (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.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the related Application Forms may not be used for the purpose of, and does not (and is not intended to) 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 or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the related Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

31 July 2017

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the websites of the Stock Exchange (www.hkexnews.hk) and of our Company (www.goldenfaith.hk).

2017

- Application lists open⁽³⁾ 11:45 a.m. on Thursday,
3 August
- Latest time to lodge **WHITE** and **YELLOW** Application Forms
and to give **electronic application instructions** to HKSCC⁽⁴⁾ 12:00 noon on Thursday,
3 August
- Application lists close⁽³⁾ 12:00 noon on Thursday,
3 August
- Expected Price Determination Date⁽²⁾ on or before Friday, 4 August
- (a) Announcement of the final Offer Price, the level of indication of
interest in the Placing, the results of applications in the Public Offer
and the basis of allocation of the Public Offer Shares under
the Public Offer to be published in The Standard (in English) and
Hong Kong Economic Journal (in Chinese) and on the website of
the Stock Exchange at www.hkexnews.hk⁽⁶⁾ and
our Company's website at www.goldenfaith.hk⁽⁶⁾ on Thursday, 10 August
- (b) 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 "How to Apply for Public Offer Shares
— Publication of Results of Allocations" from Thursday, 10 August
- Announcement of the Public Offer containing (a) and (b)
above to be published on the website of the Stock Exchange
at www.hkexnews.hk⁽⁶⁾ and our Company's website at
www.goldenfaith.hk⁽⁶⁾ Thursday, 10 August
- Results of allocations in the Public Offer will be available at
www.unioniporesults.com.hk with a "search by ID" function from Thursday, 10 August
- Despatch/collection of share certificates or deposit of the share certificates
into CCASS in respect of wholly or partially successful applications
pursuant to the Public Offer on or before⁽⁷⁾ Thursday, 10 August
- Despatch/collection of refund cheques in respect of wholly or
partially successful applications (if applicable) or wholly or
partially unsuccessful applications pursuant to the Public Offer
on or before⁽⁸⁾ Thursday, 10 August
- Dealings in the Shares on the Stock Exchange expected to
commence at 9:00 a.m. on Friday, 11 August

EXPECTED TIMETABLE⁽¹⁾

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, 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 the Stock Exchange at www.hkexnews.hk and our Company’s website at www.goldenfaith.hk.
2. The Price Determination Date is expected to be on or before Friday, 4 August 2017 and in any event no later than Saturday, 5 August 2017. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before Saturday, 5 August 2017, the Share Offer will not become unconditional and will lapse immediately.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 August 2017, the application lists will not open and close on that day. Please refer to the section headed “How to Apply for Public Offer Shares — Effect of Bad Weather Conditions on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Thursday, 3 August 2017, the dates mentioned in this section may be affected. Announcement will be made by us in such event.
4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Public Offer Shares — Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
5. The announcement will be available for viewing on the “Main Board — Results of Allotment” page on the website of the Stock Exchange at www.hkexnews.hk.
6. None of the information contained on any website forms part of this prospectus.
7. Applicants who apply on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 10 August 2017 or any other date as notified by us as the date of despatch of share certificates/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its 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 Branch 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 credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.
8. Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public 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 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 the section headed “How to Apply for Public Offer Shares” in this prospectus.

Share certificates are expected to be issued on Thursday, 10 August 2017 but will only become valid certificates of title provided that the Share 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 share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. Our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.

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SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS AND OPERATIONS

Business Model

Our history began in the 1980s. Since 1987, Mr. Yung has managed the business operations of our Group. In early years, our Group undertook small-scale engineering projects in Hong Kong. Our Group has expanded its E&M engineering business over the years and provided large-scale E&M engineering services to both the private and public sectors. Our principal business activities are the provisions of the electrical and ELV system works. We act as a subcontractor of the Main Contractor or Principal E&M Contractor, who subcontracts the electrical and ELV system works to us. We also act as the Main Contractor for our two maintenance projects. During the Track Record Period, our Group had strategically concentrated on the hospital-related projects which we have specialised requisite technical expertise and experience to monitor the work progress and optimise the conformed design in a cost efficient manner.

CCCL and CEEL, our operating subsidiaries, are both currently a Registered Electrical Contractor with the EMSD and Registered Subcontractor with the CIC. CCCL is also on the Specialist List under the category of "Electrical Installation" (Group III). Therefore, CCCL generally focuses on tendering projects belonging to the public sector, while CEEL focuses on tendering projects belonging to the private sector.

Generally, we delegate works to our subcontractors which are generally labour intensive or the subcontracted works require specific skill sets, so that we can focus on our core competencies on project management (including quality management and system testing during different stages of the project), devising detailed work programmes, procurement of materials, co-ordination with customers and their consultants, as well as quality control of works undertaken by subcontractors. This is to ensure projects undertaken by our Group meet the contractual requirements and our work is delivered to our customers in a timely manner. We receive progress payments from our customers by reference to the site works we or our subcontractors have done, pursuant to the relevant contractual terms and conditions.

Customers

We generally obtain new projects by way of tenders and marketing works are mainly conducted by our Managing Director and senior management. Our customers are mainly Main Contractors and Principal E&M Contractors of the construction industry in Hong Kong. They contract the E&M engineering services works to us on a project-to-project basis. From time to time, we also enter into maintenance contracts with our customers.

SUMMARY

For FY2014, FY2015, FY2016 and 4M2017, the tender success rates of our Group were 13.0%, 17.9%, 16.7% and 0%, respectively. The following tables set forth the breakdown of our Group's revenue by sectors and types of projects during the Track Record Period:

By sectors

	For the financial year ended 30 September 2014			For the financial year ended 30 September 2015			For the financial year ended 30 September 2016			For the four months ended 31 January 2017					
	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000 (unaudited)	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)			
Private sector projects	11	98,740	74.3	12	110,572	61.2	12	162,008	84.3	12	35,087	83.1	7	69,295	64.5
Public sector projects	5	34,144	25.7	6	70,188	38.8	12	30,131	15.7	12	7,125	16.9	5	38,167	35.5
Total	16	132,884	100.0	18	180,760	100.0	24	192,139	100.0	24	42,212	100.0	12	107,462	100.0

Note: The number of projects refers to the number of projects which generated revenue recognised by our Group during the relevant financial period.

By types of projects

	For the financial year ended 30 September 2014			For the financial year ended 30 September 2015			For the financial year ended 30 September 2016			For the four months ended 31 January 2017					
	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000 (unaudited)	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)			
Hospital-related projects	8	122,584	92.2	8	111,828	61.9	12	134,870	70.2	12	25,246	59.8	6	47,079	43.8
Non hospital-related projects	8	10,300	7.8	10	68,932	38.1	12	57,269	29.8	12	16,966	40.2	6	60,383	56.2
Total	16	132,884	100.0	18	180,760	100.0	24	192,139	100.0	24	42,212	100.0	12	107,462	100.0

Note: The number of projects refers to the number of projects which generated revenue recognised by our Group during the relevant financial period.

SUMMARY

Our top five customers accounted for approximately 99.6%, 99.3%, 99.5% and 99.9% of our total revenue for FY2014, FY2015, FY2016 and 4M2017, respectively.

Recent development involving the HCA Group

During the Track Record Period, our Group derived a significant portion of our revenue from the HCA Group, which is one of our major customers. In particular, approximately 47.2%, 49.1%, 14.3% and 12.2% of our revenue in FY2014, FY2015, FY2016 and 4M2017 were attributable to the HCA Group, respectively.

As of the Latest Practicable Date, the trading in the ordinary shares and debt securities of the ultimate holding company of the HCA Group listed on the Stock Exchange has been suspended since 3 April 2017 and based on public information, the previous auditor of the ultimate holding company of the HCA Group did not express an audit opinion on the consolidated financial statements of the group of the ultimate holding company of the HCA Group for the year ended 31 December 2016 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

Further, on 22 May 2017, an announcement issued by the ultimate holding company of the HCA Group indicated that it had not yet paid the half-yearly interest on its senior notes (“**Half-yearly Interest**”), which was due on 18 May 2017. The ultimate holding company of the HCA Group announced that it eventually remitted funds to settle the Half-yearly Interest on 14 June 2017.

As of the Latest Practicable Date, there were two on-going projects with the HCA Group, namely Project 27 and Project 29, the contract sums of which accounted for 62% of our Group’s on-going or awarded projects. The details of Project 27 and Project 29 are as follow:

Project 27

Our Group has timely received progress payments throughout the project period. During the Track Record Period, our Group has timely received all of the approximately HK\$21 million of revenue recognised from Project 27 and as at 30 June 2017, the total amount of payments received by our Group was HK\$38,069,951.

Since February 2017, a direct payment arrangement has been established, whereby the employer of Project 27 directly makes progress payments to our Group. The HCA Group has confirmed that the direct payment arrangement would continue after August 2017 until completion of Project 27, and believes that the employer of Project 27 is fully aware of the continuation of the direct payment arrangement because the direct payment arrangement was initiated and proposed by the HCA Group in February 2017 and the employer of Project 27 has acceded to the request and direction of the HCA Group since then, and would continue to accede to the direct payment arrangement upon the request and direction of the HCA Group after August 2017 until completion of Project 27. Despite our Group has not entered into any written agreement with the employer of Project 27, the direct payment arrangement has commenced since February 2017 with the consent of all parties concerned. Further, the employer of Project 27 has made oral assurances to our Group that the current direct payment arrangement would continue and is to be reviewed to suit the work progress from time to time, in order that our Group could receive timely payment.

In view of the settlement of the Half-yearly Interest by the ultimate holding company of the HCA Group, the timely payments received by us during the project period and the direct payment arrangement, our Directors expect the recovery of the contract sum under Project 27 in the future is highly probable.

Project 29

As at the Latest Practicable Date, our Group had not submitted progress payment application to Hsin Chong Aster as the project had just started.

This project’s Main Contractor is a joint venture formed by Co A and another listed company. Hsin Chong Aster is a subcontractor to the Main Contractor of this project, and our Group is a subcontractor of this project under Hsin Chong Aster. In the event the HCA Group’s ultimate holding company’s financial situation deteriorates, the other partner of the joint venture (Main Contractor) will jointly and severally be responsible for the progress payments to Hsin Chong Aster and then to our Group accordingly. Therefore, in the event that the financial situation of the ultimate holding company of the HCA Group deteriorates, our Directors expect that the recovery of the contract sum under Project 29 in the future is highly probable.

In view of the settlement of the Half-yearly Interest by the ultimate holding company of the HCA Group and the circumstances as stated above, our Directors expect the recovery of the contract sum under Project 29 in the future is highly probable.

SUMMARY

Pursuant to the terms of the subcontracts with Hsin Chong Aster, monthly/interim payment certified shall be paid within the agreed specified periods. In the event that Hsin Chong Aster defaults in payment, it will be in breach of the terms of the said subcontracts, and our Group shall be entitled to cease to perform our existing contractual obligations and claim loss and damages pursuant to our contractual rights under the subcontracts with Hsin Chong Aster.

In the event of the loss of, or non-payment by, the HCA Group, our cash flows, business and financial position could be adversely affected. However, our Directors consider that such potential impacts would be limited due to the reduced reliance on the HCA Group by our Group in the most recent year (only 12.2% of our revenue in 4M2017 were attributable to the HCA Group). Further, the potential impact could be partially offset by the revenue generated by the new potential projects (please refer to the paragraph headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus).

Our Directors and our HK Legal Adviser confirm that even if the HCA Group and/or the ultimate holding company of the HCA Group close down, there will be no impact on our Group’s continuous role to act as subcontractor to Project 27 and Project 29 until the completion of the said projects.

Pricing Policy

Our pricing is determined based on a cost-plus pricing model in general with markup determined on a project-by-project basis. We estimate the price of a project with reference to the following factors: (i) nature, scope and complexity of the project; (ii) the estimated cost of the materials required; (iii) the estimated number and types of workers required; (iv) the completion time requested by the customers; and (v) location of the works.

Suppliers

Our suppliers provide materials to us, which include conduits, cables and lighting fittings. Generally, unless customers require us to source materials from suppliers nominated by them (who will be automatically approved for that particular project), we source materials from suppliers on our prequalified subcontractor and supplier list. We incurred approximately HK\$40.3 million, HK\$52.3 million, HK\$26.2 million and HK\$18.7 million in materials costs for FY2014, FY2015, FY2016 and 4M2017, respectively, representing approximately 36.4%, 38.4%, 18.0% and 21.5% of our total cost of sales for each of the respective financial periods and materials costs incurred for our top five suppliers (excluding our subcontractors) accounted for approximately 59.6%, 69.7%, 49.4% and 56.3% of our total materials costs for each of FY2014, FY2015, FY2016 and 4M2017, respectively.

Subcontractors

In line with the common practice of the E&M engineering services industry in Hong Kong as confirmed by our Directors, we do not maintain a large pool of long-term workforce of skilled and licensed labour nor semi-skilled labour in different specialised areas. Instead, we engage third party subcontractors to perform different parts of our contracts. The subcontracting fees incurred by us amounted to approximately HK\$51.3 million, HK\$61.7 million, HK\$93.6 million and HK\$55.4 million for FY2014, FY2015, FY2016 and 4M2017, respectively, representing approximately 46.3%, 45.4%, 64.4% and 63.6% of our total cost of sales for each of the respective periods. Subcontracting fees attributable to our largest subcontractor accounted for approximately 33.0%, 27.5%, 48.0% and 29.6% of our total subcontracting fees for each of FY2014, FY2015, FY2016 and 4M2017, respectively, while our top five subcontractors accounted for approximately 74.6%, 68.3%, 86.9% and 85.4% of our total subcontracting fees for each of the corresponding periods.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Group have contributed to our success to date: (1) we have long operational history and good reputation in E&M engineering services; (2) our Group has extensive experience in hospital-related works; (3) we have well established relationship with our subcontractors and suppliers; and (4) we have loyal, experienced and professional management. Please refer to the paragraph headed “Business — Competitive strengths” in this prospectus for details.

BUSINESS STRATEGIES

The business strategies of our Group include: (1) further strengthen our market position in the E&M engineering services industry; (2) further strengthen our manpower; (3) continue to further enhance work quality and quality management system; and (4) enhance our information technology capabilities to improve the overall operational efficiency. Please refer to the paragraph headed “Business — Our business strategies” in this prospectus for details.

SUMMARY

MARKET POSITIONS

According to the Ipsos Report, the top five E&M engineering services companies in Hong Kong accounted for approximately 23.9% of the total market share by revenue in Hong Kong in 2016, while the remaining E&M engineering services companies accounted for approximately 76.1%. Our Group contributed approximately HK\$192.1 million revenue in 2016, which is about 0.5% of the total market share^(Note). Moreover, the value of the electrical and ELV segment is estimated to be 15–20% of the total E&M engineering services revenue, equivalent to around HK\$5.3 billion to HK\$7.1 billion in 2016. With our Group’s revenue of around HK\$192.1 million in 2016, our Company’s market share in the electrical and ELV market in Hong Kong is estimated between 2.7% and 3.6%.

Note: The E&M engineering services companies revenue figure is based on calendar year (i.e. 1 January to 31 December 2016), which is different from our Group’s financial year (i.e. 1 October 2015 to 30 September 2016).

RISK FACTORS

Our Directors consider that the business of our Group and our performance are subject to a number of risk factors which can be categorised into (i) risks relating to the business of our Group; (ii) risks relating to the industry in which we operate; (iii) risks relating to the Share Offer; and (vi) risks relating to statements made in this prospectus. Prospective investors should be aware of the major risk factors in relation to our business, including: (1) we are exposed to the HCA Group’s credit risk in view of recent development involving the HCA Group; (2) we are exposed to the risk of losing the HCA Group as our customer; and (3) our cash flows may fluctuate. A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus.

SHAREHOLDING INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer, Mr. Yung and Superior Ace, which is wholly owned by Mr. Yung, shall control more than 30% of our issued share capital. For the purpose of the Listing Rules, Mr. Yung and Superior Ace are our Controlling Shareholders, while the Pre-IPO Investor will be interested in 20.83% of our issued share capital. Each of Mr. Yung and Superior Ace confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business. Please refer to the section headed “Relationship with our Controlling Shareholders” of this prospectus for further details.

SUMMARY FINANCIAL INFORMATION

The following tables summarise the combined financial information of our Group during the Track Record Period, which is extracted from the Accountants’ Report set out in Appendix I to this prospectus. The summary financial data should be read in conjunction with the combined financial information in the Accountants’ Report set out in Appendix I to this prospectus.

Summary of Consolidated Statements of Profit or Loss and other Comprehensive Income

	For the year ended 30 September			For the four months ended 31 January	
	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)	
Revenue	132,884	180,760	192,139	42,212	107,462
Gross profit	22,244	44,659	46,837	11,899	20,363
Profit before taxation	13,952	33,603	36,335	8,956	8,605
Profit and total comprehensive income for the year/period	11,693	28,064	30,368	7,838	5,918

SUMMARY

Summary of Consolidated Statements of Financial Position

	As at 30 September			As at 31 January
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	5,661	5,580	5,841	3,605
Current assets	75,303	62,374	126,669	135,388
Current liabilities	57,466	23,875	53,401	66,912
Net current assets	17,837	38,499	73,268	68,476
Total assets less current liabilities	23,498	44,079	79,109	72,081
Non-current liabilities	764	581	743	797
Net assets	22,734	43,498	78,366	71,284
Total equity	22,734	43,498	78,366	71,284

Summary of Consolidated Statements of Cash Flows

	As at 30 September			As at 31 January	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net cash (used in) from operating activities	(2,250)	31,678	14,906	(2,562)	10,523
Net cash (used in) from investing activities	(333)	757	(517)	(53)	(57)
Net cash (used in) from financing activities	(1,669)	(10,469)	2,980	(5,611)	(2,479)
Net (decrease) increase in cash and cash equivalents	(4,252)	21,966	17,369	(8,226)	7,987
Cash and cash equivalents at beginning of the year/period	1,645	(2,607)	19,359	19,359	36,728
Cash and cash equivalents at the end of the year/period	<u>(2,607)</u>	<u>19,359</u>	<u>36,728</u>	<u>11,133</u>	<u>44,715</u>

Our cash and cash equivalents increased from a net overdraft amount of approximately HK\$2.6 million as at 30 September 2014 to approximately HK\$19.4 million as at 30 September 2015 and further increased to approximately HK\$36.7 million as at 30 September 2016 and HK\$44.7 million as at 31 January 2017. During the Track Record Period, our net cash (used in) from financing activity as mainly withdrawal and placement of pledged bank deposits and net cash used in financing activities as mainly paid for dividend and repayment to a director. For more details, please refer to section headed “Financial Information — Liquidity and capital resources” in this prospectus.

Revenue

Revenue from engineering service contracts is based on stage of completion at the end of each reporting period. During the Track Record Period, our revenue increased by 36.0% from HK\$132.9 million to HK\$180.8 million in FY2015 and increased by 6.3% to HK\$192.1 million in FY2016. Our revenue increased by 154.7% from HK\$42.2 million in 4M2016 to HK\$107.5 million in 4M2017. During the Track Record Period, our net profits increased by 140.2% from HK\$11.7 million to HK\$28.1 million in FY2015 and increased by 8.2% to HK\$30.4 million in FY2016. Our net profits decreased by 24.4% from HK\$7.8 million in 4M2016 to HK\$5.9 million in 4M2017, after deducting listing expenses of HK\$7.3 million. For further details of the E&M engineering services works completed during the Track Record Period and project in progress up to the Latest Practicable Date, please refer to the paragraph headed “Business — Engineering Projects” in this prospectus.

SUMMARY

Cost of sales

Our cost of sales mainly includes subcontracting fees, materials costs, staff cost and other direct costs. Our most significant cost of sales are subcontracting fees and material costs. During the Track Record Period, the subcontracting fees and cost of materials accounted for approximately 82.7%, 83.8%, 82.4% and 85.1% of our total cost of sales, respectively. The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2014		2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting fees	51,279	46.3	61,747	45.4	93,633	64.4	15,582	51.4	55,404	63.6
Material costs	40,264	36.4	52,313	38.4	26,178	18.0	6,193	20.4	18,716	21.5
Staff cost	16,258	14.7	19,627	14.4	22,362	15.4	7,499	24.7	11,122	12.8
Other direct costs	2,839	2.6	2,414	1.8	3,129	2.2	1,039	3.5	1,857	2.1
Total	110,640	100.0	136,101	100.0	145,302	100.0	30,313	100.0	87,099	100.0

Gross profit and gross profit margin

The following table sets forth breakdowns of our gross profit and gross profit margin by sector during the Track Record Period:

	For the year ended 30 September						For the four months ended 31 January			
	2014		2015		2016		2016		2017	
	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	16,560	16.8	19,466	17.6	37,497	23.1	9,889	28.2	13,493	19.5
Public	5,684	16.6	25,193	35.9	9,340	31.0	2,010	28.2	6,870	18.0
Total	22,244	16.7	44,659	24.7	46,837	24.4	11,899	28.2	20,363	18.9

The following table sets forth breakdowns of our gross profit and gross profit margin by types of projects during the Track Record Period:

	For the year ended 30 September						For the four months ended 31 January			
	2014		2015		2016		2016		2017	
	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	%
Hospital	19,618	16.0	20,041	17.9	32,731	24.3	6,488	25.7	8,580	18.2
Non-Hospital	2,626	25.5	24,618	35.7	14,106	24.6	5,411	31.9	11,783	19.5
Total	22,244	16.7	44,659	24.7	46,837	24.4	11,899	28.2	20,363	18.9

For details, please refer to the section headed “Financial Information — Principal Components of Results of Operations” in this prospectus.

SUMMARY

Selected financial ratios

The following table sets forth the selected financial ratios of our Group for the years and as at the dates as indicated:

Selected Ratios	Formulae	As at/for the year ended 30 September			As at/for the four months ended 31 January	
		2014	2015	2016	2016 (unaudited)	2017
Net profit margin	Net profit/revenue x 100%	8.8%	15.5%	15.8%	18.6%	5.5%
Current ratio	Current assets/current liabilities	1.3 times	2.6 times	2.4 times	2.8 times	2.0 times
Gearing ratio	Total debt/total equity x 100% (Note 2)	54.7%	2.9%	0.3%	0%	0.3%
Net gearing ratio	Net debt/total equity x 100% (Note 1)	17.0%	Net cash	Net cash	Net cash	Net cash
Return on total assets	Net profit/total assets x 100% (Notes 3 & 4)	14.4%	41.3%	22.2%	30.0%	12.8%
Return on total equity	Net profit/total equity x 100% (Notes 3 & 4)	51.4%	64.5%	37.5%	45.8%	24.9%

Notes:

1. Net debt represents total debt less bank balances and cash.
2. Total debt includes interest-bearing bank borrowings and obligations under finance lease.
3. Net profit represents the net profit attributable to the owners of our Company.
4. For the return on total assets and total equity for 4M2016 and 4M2017, the ratio will be multiplied by 3 to equalise as the full year.

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

PRE-IPO INVESTMENT

Pursuant to the terms of a subscription agreement dated 8 August 2016 and a supplemental subscription agreement dated 1 November 2016, the Pre-IPO Investor subscribed for a total of 2,500 shares of Superior Ace for an aggregate consideration of HK\$25,000,000. On 24 November 2016, the Pre-IPO Investor transferred 2,500 shares in Superior Ace, representing 25% of the entire issued shares of Superior Ace, to Greatly Success, whose issued share capital was held entirely by the Pre-IPO Investor at a consideration of HK\$1. On 5 December 2016, Superior Ace repurchased 2,500 shares registered in the name of Greatly Success in consideration for transfer to Greatly Success 2,500 shares it held in our Company, representing 25% of the entire issued share capital of our Company. The Pre-IPO Investor is an Independent Third Party. Our Directors are of the view that our Company will benefit from the investor’s commitment to our Company and his investments demonstrate his confidence in our operation and serve as an endorsement of our performance, competitiveness and future prospects. Please refer to the section headed “History, Development and Reorganisation — Pre-IPO Investment” in this prospectus for further details.

RECENT DEVELOPMENT

Our Group’s business model and revenue and cost structure have remained unchanged since 31 January 2017. Based on the unaudited management account for the eight months ended 31 May 2017, the turnover and net profit were approximately HK\$225.8 million and approximately HK\$25.4 million, respectively. Due to the completion and substantial completion of key projects with relatively high gross profit margin, namely Project 21, Project 28 and Project 15, respectively in FY2016 and commencement of new projects with relatively lower gross profit margins, our Directors expect that the gross profit margins for the financial year ending 30 September 2017 may decrease. Project 21 achieved considerable cost savings in material procurement. Project 28 was assigned with a short completion time. Project 15 was completed during the period and had recognised some variation orders in its final account. As at the Latest Practicable Date, the aggregate contract value of our projects in progress with contract period ending after the Latest Practicable Date amounted to approximately HK\$944.5 million. Our Group’s revenue expected to be recognised from our Group’s backlog projects for each year ending 30 September 2017 and 2018 are approximately HK\$290.5 million and HK\$462.3 million^(Note), respectively. Despite our Group anticipated approaching its full capacity in its operation in carrying out the ongoing projects in the year ending 30 September 2017, our Group continues tendering projects to demonstrate that our Group remains active in the market.

Note: The revenue of the year ending 30 September 2017 and 30 September 2018 include revenue of approximately HK\$3.1 million and HK\$128 million, respectively to be generated from a project which has been awarded but pending execution of formal contractual documents that are under preparation. As at the Latest Practicable Date, this awarded project was in contract execution stage and our Directors expect that the formal contractual documents to be executed in September 2017.

SUMMARY

Subsequent to the Track Record Period, our Group has submitted tenders for six contracts from five different customers with a total contract sum of approximately HK\$480 million. However, as at the Latest Practicable Date, our Group had not yet been awarded any new project after the Track Record Period due to our Group's tendering strategy of not offering a competitive price in the tender for projects commencing before October 2017 so that resources could be utilised to focus on the current on-going projects of our Group which are expected to be completed before October 2017.

Recently, our Group has submitted tenders, or expressed interests for tendering of, among others, three potential projects with Customer F and Customer H; and one awarded project pending formal contract documents to be executed with Customer F. Our management has confidence to secure these projects because of our competitive quotations to our major customers in bidding for new projects in the market at the outset. For further details, please refer to the section headed "Business — Engineering Projects" in this prospectus.

Our Directors are responsible for the preparation of our unaudited condensed consolidated financial statements for the eight months ended 31 May 2017 in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our condensed consolidated financial statements for the eight months ended 31 May 2017 have been reviewed by our reporting accountants, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

On 1 November 2016, HK\$10.0 million was injected into our Group as part of the Pre-IPO Investment. On 16 February 2017, we completed the sale of Unit 4 with podium roof, 2/F, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong to an Independent Third Party at market price with a gross sale proceeds of HK\$6.1 million and recognised a gain of approximately HK\$4.1 million for the said sale.

As far as our Directors are aware, there have been no changes in the general economic or market conditions or in the E&M engineering service market in Hong Kong as a whole, which would have a material and adverse impact on our business operations or financial condition since 31 January 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) to the date of this prospectus.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 30 September 2017 is expected to be adversely affected by, among others, our Listing expenses, the nature of which is non-recurring. Our total Listing expenses, primarily consisting of fees paid or payable to professional parties and underwriting commission, are estimated to be approximately HK\$20.6 million, of which HK\$18.3 million and HK\$2.3 million should be borne by our Group and the Selling Shareholder, respectively.

Among the estimated aggregate amount of the Listing expenses to be borne by our Group, (i) approximately HK\$0.7 million and HK\$7.3 million was charged to our consolidated statement of profit or loss and other comprehensive income for FY2016 and 4M2017; (ii) approximately HK\$5.6 million is expected to be incurred after the Track Record Period; and (iii) approximately HK\$4.7 million is expected to be accounted for as a deduction from equity upon Listing. This calculation is based on the mid-point of our indicative Offer Price range of HK\$0.71 to HK\$0.87 per Offer Share and the assumption that 45,000,000 Sale Shares are expected to be sold by the Selling Shareholder under the Share Offer and 90,000,000 Shares are expected to be issued under the Share Offer. Upon Listing, the total number of Shares in issue will be 540,000,000 Shares.

Our Directors would like to emphasise that the amount of our Listing expenses is a current estimate for reference only and the final amount to be recognised in our combined financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

STATISTICS OF THE SHARE OFFER

	Based on an Offer Price of HK\$0.71 per Offer Share	Based on an Offer Price of HK\$0.87 per Offer Share
Market capitalisation of the Shares (<i>Note 1</i>)	HK\$383.4 million	HK\$469.8 million
Historical price/earnings multiple (<i>Note 2</i>)	13.0 times	16.0 times
Unaudited pro forma adjusted net tangible asset value per Share (<i>Note 3</i>)	HK\$0.23	HK\$0.26

SUMMARY

Notes:

- (1) The calculation of the market capitalisation of the Shares is based on the respective Offer Prices of HK\$0.71 and HK\$0.87 per Offer Share and 540,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer, but takes no account of (i) any Share which may fall to be allotted and issued pursuant to the general mandate for the allotment and issue of Shares or any Shares which may be repurchased by our Company pursuant to the general mandate for repurchase of Shares referred to in the paragraph headed “A. Further Information about our Company and Our Subsidiaries — 3. Written resolutions of our then Shareholders passed on 22 July 2017” in Appendix IV to this prospectus; and (ii) any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.
- (2) The calculation of the historical price/earnings multiple is based on the net profit attributable to owners of our Group for the year ended 30 September 2016 of approximately HK\$29.4 million, the respective Offer Prices of HK\$0.71 and HK\$0.87 per Offer Share and on the assumption that 540,000,000 Shares, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Share Offer, had been in issue throughout the year.
- (3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed “Financial Information” in this prospectus, and on the basis of the respective Offer Prices of HK\$0.71 and HK\$0.87 per Offer Share and 540,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.

DIVIDEND

During FY2014, FY2015 and FY2016, our Group declared and paid dividends of HK\$2.2 million, HK\$7.3 million, HK\$10.5 million, respectively to the shareholder of the companies now comprising our Group. During 4M2017, our Group declared dividends of HK\$23.0 million of which HK\$11.0 million was paid in January 2017 and the balance of HK\$12.0 million was paid in March 2017. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

Our Group has no fixed dividend policy. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$0.79 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.71 to HK\$0.87 per Offer Share, the net proceeds from the Share Offer, after deducting related expenses, are estimated to amount to approximately HK\$52.8 million. Our Group intends to apply such net proceeds from the Share Offer as follows:

Usage	Approximate percentage or amount of net proceed to be applied
a. Satisfying future projects performance guarantee;	75.4% or HK\$39.8 million
b. Employing additional staff in the next three years in order to increase our capacity to cope with expected business growth, including senior project manager, project managers and project engineers and providing training to our employees and the new recruits;	19.0% or HK\$10 million
c. Investing in and upgrading the computer system and software of our Group; and	2.8% or HK\$1.5 million
d. Upgrading our quality management system obtained under ISO9001 and to obtain ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety) certifications.	2.8% or HK\$1.5 million

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

SELLING SHAREHOLDER

The Share Offer initially consists of 135,000,000 Shares, of which 45,000,000 Shares are being sold by the Selling Shareholder under the Placing. We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Share Offer, and assuming an offer price of HK\$0.79 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$33.3 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

DEFINITIONS

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

“4M2016”	the four months ended 31 January 2016
“4M2017”	the four months ended 31 January 2017
“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)”	WHITE application form(s) and YELLOW application form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on 22 July 2017 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“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 a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Cap. 32 Companies (WUMP) 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
“Cap. 622 Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which became effective on 3 March 2014 (whose predecessor is the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, prior to its implementation on 3 March 2014), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Capitalisation Issue”	the issue of 449,990,000 new 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 “A. Further information about our Company and our Subsidiaries — 3. Written resolutions of our then Shareholders passed on 22 July 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operation procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCCL”	Cornwall Contracting Company Limited (康和電機有限公司), a company incorporated under the laws of Hong Kong with limited liability on 12 June 1987 and an indirect wholly-owned subsidiary of our Company
“CEEL”	Cornwall Electrical Engineering Limited (康和電器工程有限公司), a company incorporated under the laws of Hong Kong with limited liability on 3 February 2010 and an indirect wholly-owned subsidiary of our Company
“Champion Goal”	Champion Goal Investments Limited, a company incorporated in the BVI on 21 September 2016 with limited liability and a wholly-owned subsidiary of our Company
“China” or “PRC”	The People’s Republic of China, which excludes for the purpose of this prospectus, Hong Kong, Macau and Taiwan

DEFINITIONS

“close associates”	has the meaning ascribed to it under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Golden Faith Group Holdings Limited (高豐集團控股有限公司) (formerly Goldman Faith Holdings Limited (高誠控股有限公司)), an exempted company incorporated in the Cayman Islands on 12 October 2016 with limited liability
“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. Yung and Superior Ace
“Deed of Indemnity”	the deed of indemnity dated 22 July 2017 entered into between the Controlling Shareholders and our Company in favour of our Company (for itself and as trustee for its subsidiaries) in respect of taxation and other indemnities referred to in the paragraph headed “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 22 July 2017 made by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), particulars of which are set out in the paragraph headed “Deed of Non-competition” in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	director(s) of our Company
“Finance Director”	Mr. Li Kar Fai Peter, an executive Director
“FY2014” “FY2015” and “FY2016”	each of the financial years ended 30 September 2014, 30 September 2015 and 30 September 2016, respectively
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Government” or “Hong Kong Government”	the government of Hong Kong
“Greatly Success”	Greatly Success Investment Trading Limited, a company with limited liability incorporated in the Republic of Seychelles on 17 August 2016 and is wholly owned by Mr. Ko

DEFINITIONS

“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries and the businesses carried on by such subsidiaries or (as the case may be) their predecessors, the present subsidiaries of our Company, some or any of them at the relevant time
“HCA Group” or “Customer A”	collectively, Hsin Chong Aster Building Services Limited (“ Hsin Chong Aster ”) and another company (“ Co A ”), both of which are principally engaged in the business of construction and ultimately controlled by a company listed on the Main Board
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency for the time being of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK Legal Adviser”	Hui & Lam LLP, legal adviser to our Company as to Hong Kong law
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Union Registrars Limited, our Hong Kong branch share registrar and transfer office
“HSBC”	the Hongkong and Shanghai Banking Corporation Limited, a licenced bank in Hong Kong
“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)
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Internal Control Consultant”	SHINEWING Risk Services Limited, independent internal control consultant to our Company
“Ipsos”	Ipsos Limited, a market research company incorporated in Hong Kong on 21 August 1998 which is an Independent Third Party

DEFINITIONS

“Ipsos Report”	an independent market research report in respect of the E&M engineering services industry in Hong Kong, prepared by Ipsos commissioned by our Company
“Issue Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of our Shares, further information on which is set forth in the paragraph under “A. Further information about our Company and Subsidiaries — 3. Written resolutions of our then Shareholders passed on 22 July 2017” in Appendix IV to this prospectus
“Joint Bookrunners”	Guoyuan Capital and Ping An Securities, collectively
“Joint Lead Managers”	Guoyuan Capital, Ping An Securities and Yuanta Securities, collectively
“Latest Practicable Date”	25 July 2017, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (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
“Mandatory Provident Fund Schemes Ordinance”	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 22 July 2017, as amended from time to time
“Mr. Ko”	Mr. Ko Chun Hay Kelvin (高浚晞), the sole shareholder of Greatly Success, which is one of the substantial shareholders of our Company

DEFINITIONS

“Mr. Yung”	Mr. Yung On Wah (翁安華), the chairman of the Board, the Managing Director, an executive Director and a Controlling Shareholder
“NAV”	net asset value
“New Shares”	the new Shares initially being offered by our Company for the subscription at the Offer Price under the Share Offer
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which the Offer Shares are to be subscribed pursuant to the Share Offer, such price is to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Ping An Securities”	Ping An Securities Limited, a corporation licenced under the SFO and permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), with institutional and professional investors, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 121,500,000 Shares, comprising 76,500,000 New Shares and 45,000,000 Sale Shares (subject to adjustment as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the underwriters who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and to be entered into by, among others, our Company, the Controlling Shareholders, the Selling Shareholder, the executive Directors, the Sole Sponsor, the Joint Lead Managers and the Placing Underwriters on or about the Price Determination Date, as further described in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — Placing” in this prospectus
“Pre-IPO Investment”	the investment in our Group made by the Pre-IPO Investor prior to Listing

DEFINITIONS

“Pre-IPO Investor”	Mr. Ko, whose particulars are set out in the section headed “History, Development and Reorganisation — Pre-IPO Investment” in this prospectus
“Prevention of Bribery Ordinance”	the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Price Determination Agreement”	the agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price is determined, which is expected to be on or before Friday, 4 August 2017
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 13,500,000 New Shares initially being offered for subscription by our Company at the Offer Price under the Public Offer (subject to adjustment) 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
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 26 July 2017 and relating to the Public Offer and entered into between, our Company, the Controlling Shareholders, the Selling Shareholder, the executive Directors, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Public Offer Underwriting Agreement” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi, the lawful currency for the time being of the PRC

DEFINITIONS

“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Development and Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraph under “A. Further information about our Company and our Subsidiaries — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus
“Sale Shares”	the Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Share Offer
“Selling Shareholder”	Superior Ace
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 22 July 2017, the principal terms of which are summarised under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Sole Sponsor” or “Guoyuan Capital”	Guoyuan Capital (Hong Kong) Limited, a corporation licenced under the SFO and permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, 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 to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Superior Ace”	Superior Ace Investments Limited (佳優投資有限公司), a company incorporated in the BVI on 5 July 2016 with limited liability and is wholly owned by Mr. Yung
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	collectively, FY2014, FY2015, FY2016 and 4M2017 and, unless otherwise specified, in the said order
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US”	the United States of America
“US dollars” or “US\$”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the name of HKSCC Nominees Limited and deposited directly into CCASS
“Yuanta Securities”	Yuanta Securities (Hong Kong) Company Limited, a corporation licensed under the SFO and permitted to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
“sq.ft.” or “ft ² ”	square foot (feet)
“sq.m.” or “m ² ”	square metre(s)
“%”	per cent.

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

DEFINITIONS

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

Unless otherwise specified, for the purpose of this prospectus, amounts denominated in US\$ are translated into HK\$ at the rate of US\$1.00 = HK\$7.80. No representation is made that any amount in HK\$ or US\$ or could have been converted at such rate or at any other exchange rates.

GLOSSARY OF TECHNICAL TERMS

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

“ACIL”	Accredited Certification International Limited
“authorised signatory”	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance
“Building Authority”	the Building Authority of the Government
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“CIC”	the Construction Industry Council, the body established under the CICO
“CICO”	the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Competition Ordinance”	the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Contractor List for Public Works”	the List of Approved Contractors for Public Works maintained by the WBDB
“controller”	(in relation to a construction site) (i) a principal contractor for the site; or (ii) if there is no principal contractor for the site, any person who has control over, or is in charge of, the site
“Development Bureau”	the Development Bureau of the Government
“Electricity Ordinance”	the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

GLOSSARY OF TECHNICAL TERMS

“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“EMSD”	the Electrical and Mechanical Services Department of the Government
“LV”	Low Voltage
“Environmental Protection Department” or “EPD”	the Environmental Protection Department of the Government
“E&M engineering”	electrical and mechanical engineering
“ELV”	extra-low voltage
“Factories and Industrial Undertakings (Safety Management) Regulation” or “Cap 59AF”	the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations”	the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“GDP”	gross domestic product
“Housing Authority”	the Hong Kong Housing Authority of the Government
“ISO”	acronym for a series of standards including quality management and environmental management standards published by International Organisation for Standardisation, a non-governmental organisation that has a central secretariat in Geneva, Switzerland
“Main Contractor”	a contractor, appointed by (a) property owner; or (b) the project employer’s construction consultant, who generally oversees the progress of the entire project and delegates different work tasks of the project to other contractors
“MVAC system”	mechanical ventilation and air-conditioning system
“PMCO”	the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

GLOSSARY OF TECHNICAL TERMS

“PM(C)(AL)R”	the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations (Chapter 360A of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Primary Register”	a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the SRS
“principal contractor”	<p>(in relation to a construction site) the person who undertakes on the site construction work under a contract, or term contract for maintenance, that is entered into by the person directly with</p> <p>(a) an owner, occupier or developer of the property within the site; or</p> <p>(b) an agent or architect, surveyor or engineer of such an owner, occupier or developer</p> <p>(under the Employees’ Compensation Ordinance)</p> <p>any person who, during the course, or for the purposes, of his trade or business, contracts with a sub-contractor for the execution by or under the sub-contractor of the whole or any part of any work undertaken by him</p>
“Principal E&M Contractor”	a contractor, appointed by Main Contractor, who generally oversees the progress of the E&M engineering services works of the entire project and delegates different E&M engineering work tasks of the project to other contractors
“QMS”	Quality Management System
“REC” or “Registered Electrical Contractor”	a registered electrical contractor registered with the EMSD under the Electricity Ordinance
“Registered Subcontractor”	a company listed on the Primary Register
“REW”	a registered electrical worker registered with the EMSD under the Electricity Ordinance
“SOPL”	Security of Payment Legislation for the Construction Industry, details of which are set out in the section headed “Regulatory Overview” in this prospectus
“Specialist Contractor”	a contractor included on the Specialist List
“Specialist List”	a list of Approved Suppliers of Materials and Specialist Contractors for Public Works maintained by the WBDB

GLOSSARY OF TECHNICAL TERMS

“SRS”	the Subcontractor Registration Scheme of the CIC
“Stamp Duty Ordinance”	the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“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
“WBDB”	Works Branch of the Development Bureau of the Government

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements relating to our Group that are based on the beliefs, intentions, expectations or predictions of the management of our Company for the future as well as assumptions made by and information currently available to the management of our Company as of the Latest Practicable Date. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- our financial conditions and performance;
- our contracts on hand;
- our future debt levels and capital needs;
- our future developments, trends and conditions in the industry and geographical markets in which our Group operates;
- our strategies, plans, objectives and goals;
- our relationships with our key customers;
- changes to regulatory environment and operating conditions in the industry and geographical markets in which our Group operates;
- our ability to control costs;
- our Company's dividend policy;
- the amount and nature of, and potential for, future development of our business;
- certain statements in the section headed "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends and risk management; and
- the general economic trends and conditions.

FORWARD-LOOKING STATEMENTS

When used in this prospectus, the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “forecast”, “potential”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Group or the management of our Group, are intended to identify forward-looking statements. These forward-looking statements reflect the views of the management of our Group as of the Latest Practicable Date with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- any changes in the laws, rules and regulations relating to any aspects of our Group’s business operations;
- general economic, market and business conditions, including capital market developments;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the actions and developments of our Company’s competitors and the effects of competition in the E&M engineering services industry on the demand for, and price of, our Group’s services;
- various business opportunities that our Company may or may not pursue;
- persistency levels;
- our Company’s ability to identify, measure, monitor and control risks in our Group’s business, including our Company’s ability to manage and adapt our Group’s overall risk profile and risk management practices;
- our Company’s ability to properly price our Group’s services and establish reserves for future policy benefits; and
- the risk factors discussed in this prospectus as well as other factors beyond our Company’s control.

Subject to the requirements of the applicable laws, rules (including the Listing Rules) and regulations, our Group does not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Group expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set forth in this section. Our Directors confirm that these forward-looking statements are made after due and careful consideration.

RISK FACTORS

Prospective investors should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Shares in the Share Offer. If any of the possible events described below occur, the business operation, financial condition or results of operation of our Group could be materially and adversely affected and the market price of the Shares could fall significantly.

RISKS RELATING TO THE BUSINESS OF OUR GROUP

We are exposed to the HCA Group's credit risk in view of recent development involving the HCA Group

During the Track Record Period, our Group derived a significant portion of our revenue from the HCA Group, which is one of our major customers. In particular, approximately 47.2%, 49.1%, 14.3% and 12.2% of our revenue in FY2014, FY2015, FY2016 and 4M2017 were attributable to the HCA Group, respectively.

As of the Latest Practicable Date, the trading in the ordinary shares and debt securities of the ultimate holding company of the HCA Group listed on the Stock Exchange had been suspended since 3 April 2017 and based on public information, the previous auditor of the ultimate holding company of the HCA Group did not express an audit opinion on the consolidated financial statements of the group of the ultimate holding company of the HCA Group for the year ended 31 December 2016 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

Further, on 22 May 2017, an announcement issued by the ultimate holding company of the HCA Group indicated that it had not yet paid the Half-yearly Interest, which was due on 18 May 2017. The ultimate holding company of the HCA Group announced that it eventually remitted funds to settle the Half-yearly Interest on 14 June 2017.

As of the Latest Practicable Date, there were two on-going projects with the HCA Group, namely Project 27 and Project 29, the contract sums of which accounted for 62% of our Group's on-going or awarded projects. There is no guarantee that the operation of the HCA Group and/or its ultimate holding company will not deteriorate. If any of the HCA Group and/or its ultimate holding company has financial or liquidity problem which results in difficulty in operating their businesses, it may result in delay in settling progress payments to us and in the event of loss of, or default in payment by, the HCA Group, we may be unable to recover significant amounts of the contract sums under Project 27 and Project 29 and may need to incur extra time and cost through legal proceedings to recover the said contract sums and to claim loss and damages against the HCA Group. In turn, our cash flows, business and financial position could be adversely affected.

We are exposed to the risk of losing the HCA Group as our customer

During the Track Record Period, our Group in the past derived a significant portion of our revenue from the HCA Group as mentioned above. Despite that we have reduced our reliance on the HCA Group in the most recent year (only 12.2% of our revenue in 4M2017 were attributable to the HCA Group), there were still two on-going projects with the HCA Group, namely Project 27 and Project 29. There is

RISK FACTORS

no guarantee that the operation of the HCA Group and/or its ultimate holding company will not deteriorate. In the event of the loss of the HCA Group by our Group and if we are not able to secure another major customer in a timely manner, our cash flows, business and financial position could be adversely affected.

Our cash flows may fluctuate

During the Track Record Period, we experienced net operating cash outflows of approximately HK\$2.3 million in FY2014 and a negative cash and cash equivalents balance of approximately HK\$2.6 million as at 30 September 2014. In a single project, net cash outflows are normally incurred during the early period for the payment of set-up expenditures. Our customers will pay us the progress payments after our works commence and are certified by our customers or their authorised representative(s). As such, the cash inflows and outflows of individual projects may fluctuate as our works proceed.

Since we generally engage in a number of construction projects at any given period, the cash outflows of any individual projects could be compensated by the cash inflows of other projects. Nevertheless, if we undertake a number of significant projects, which require substantial amount of set-up expenditures, while we have significantly less cash inflows during a particular point of time, our cash flow position may be adversely affected.

We may experience weak liquidity as we have recorded negative cash flow from our operating activities in the past

For FY2014, we recorded negative cash flow from our operating activities of approximately HK\$2.3 million largely due to the increase in trade receivables of approximately HK\$30.2 million resulted from the issue of payment certificate near the end of FY2014 from our customer of Project 15 with substantial completion of work; and the decrease in provision for onerous contracts, long service payments and annual leave of approximately HK\$3.2 million due to the payment for onerous contracts. For 4M2016, we recorded negative cash flow from our operating activities of approximately HK\$2.6 million which as the combined effect of increase in the amount due from customer of approximately HK\$2.2 million, the increase in trade receivables of approximately HK\$12.4 million, income tax paid for approximately HK\$0.7 million. Please refer to the section headed “Financial Information” in this prospectus for a more detailed discussion. We cannot assure you that we will not experience another period of negative cash flow from our operating activities in the future.

Our business relies on successful tenders that determine the award of our E&M engineering services contracts and is non-recurring in nature

During the Track Record Period and up to the Latest Practicable Date, we derived our revenue primarily from E&M engineering services projects in the private and public sectors in Hong Kong. Our future growth and success will rely on our ability to continue to secure tender and contract awards. Moreover, our business is on a project-by-project and non-recurring basis. We did not enter into any long-term agreement or master service agreement with our customers as at the Latest Practicable Date. Our customers have no obligation to engage us again in their subsequent projects, if any, and we still need to undergo tender process for every new project.

RISK FACTORS

In addition, the profitability of our E&M engineering services business depends on the price of our tender, which is determined based on the estimated costs to be incurred plus a mark-up. If a significant mark-up is made upon the estimated costs, then our tender price may be less competitive. On the other hand, if the tender price submitted by us is too low, then if the time and costs actually involved in completing the E&M engineering services works undertaken by us exceed our estimation at the time when the tender was submitted, which may be caused by factors beyond our control such as shortage of labour and unexpected technical problems, our profitability may be materially and adversely affected.

We cannot assure that our existing customers will continue to include us in the tendering process beyond completion of current projects or whether we will be able to locate new customers, or that we will be able to secure new project awards from our customers in the future. Upon completion of our contracts on hand, our financial performance may be adversely affected if our Group is unable to secure new tenders or obtain new contract awards with comparable contract sums or at all. Accordingly, our historical financial results during the Track Record Period should not be taken as an indication of our future performance. Prospective investors should be aware of the risk of our Group failing to secure future contracts when considering our Group's future prospects.

We make estimation of our project costs in our tenders and any failure to properly estimate the costs involved in the implementation of a project and delay in completion of any project may lead to cost overruns or even result in losses in our projects

Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account factors including the nature, scope and complexity of the project, required time for completion of the project, estimated labour and materials costs, and the location of the project. Tender price is important because the contracts entered into by our Group during the Track Record Period were mainly fixed price contracts, and once the tender price is fixed, we generally will have to bear any additional costs incurred. In the event we fail to properly estimate the project costs or if there is any unforeseen factor leading to any increase in cost, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project.

Further, most of our contracts entered into during the Track Record Period required us to meet the schedule of our customers and contained specific and liquidated damages provisions. Liquidated damages are typically levied at an agreed daily rate for delay that is owing to our default. Any failure to meet the schedule requirements of our contracts could, to the extent that time extension is not granted by our customers, cause us to pay significant liquidated damages, which would reduce or diminish our profit expected to generate from the relevant contracts.

There is no assurance that we will not encounter cost overruns or delays on our current and future projects and our customers may not agree to extend the completion date. If such cost overruns or delays occur, we may experience increase in costs exceeding our budget or be required to pay liquidated damages, hence reducing or diminishing profits that generate from our contracts, and may result in material adverse impact on our operation and financial performance.

RISK FACTORS

We rely on several key management personnel

Our Group's success is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management. Detailed qualifications of our executive Directors and senior management are set out in the section headed "Directors, Senior Management and Staff" in this prospectus. Our executive Directors and senior management are responsible for our business strategies and development as well as daily management and operations. Furthermore, they have established relationship with customers, subcontractors and suppliers of our Group. They also have extensive experience in the E&M engineering services industry and possess knowledge of the E&M engineering services markets and technical know-how.

There could be an adverse impact on our operations should our executive Directors or a significant number of our senior management or other key personnel with relevant expertise terminate their employment with us and suitable persons could not be found to substitute them. However, there is no assurance that our Group will be able to attract and retain capable staff members or that the executive Directors, senior management or other key personnel will not resign in the future.

Our Group's business relies on a number of approvals and qualifications

Pursuant to the Hong Kong laws and regulations, we are required to maintain various approvals, licences and permits in order to operate our business. Please refer to the section headed "Business — Qualifications" in this prospectus for details of the major qualifications held by our Group.

In order to tender the works commissioned by the Government, a contractor has to be included in the list of public works contractors under one or more of the work categories maintained by the WBDB. To become listed as an approved contractor, the contractor has to apply for inclusion in the list of the particular work categories and/or group. In spite of the admission of a contractor to the list, if the contractor's performance or tendering record is found to be unsatisfactory or the contractor is unable to meet the relevant financial, technical or management criteria for retention on the list, the Government reserves the right to remove the contractor from the list or take other regulatory actions against the contractor such as suspension, downgrading in status or demotion to a lower level group, in respect of all or any of the work categories.

In addition, if our Group is convicted of a series of safety or environmental offences within a short period of time, or if a fatal or serious accident occurs at a project site for which we are responsible, depending on the seriousness of the incident, regulatory actions may be taken against our Group such as removal of our Group from the Contractor List for Public Works, downgrading of our qualification to a lower status or class and suspension or restriction on us from tendering for projects. If our Group's qualifications in any work category is withdrawn, revoked, suspended or downgraded, the business, the prospects and operation of our Group could be adversely affected.

We rely on subcontractors to help complete our projects

In line with the usual practice of the E&M engineering services industry in Hong Kong, we engage third party subcontractors to perform a portion of the works under our contracts instead of retaining a large pool of labour with different skill sets to maximise our cost efficiency and flexibility. For FY2014, FY2015, FY2016 and 4M2017, our top five subcontractors accounted for approximately 74.6%, 68.3%,

RISK FACTORS

86.9% and 85.3% of our total subcontracting fees. For FY2014, FY2015, FY2016 and 4M2017, our total subcontracting fees accounted for approximately 46.3%, 45.4%, 64.4% and 63.6% of our total cost of sales.

Other than any significant increase in the subcontracting fees that may impact on our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors, or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors or its employees which may result in a delay in the delivery of our works. We may also incur additional costs if we fail to meet the schedule of our customers or if there is any defect in the subcontractor's works or any accident causing personal injuries or death of the subcontractors' employees, we may be subject to liability under the relevant contract with our customers for our subcontractor's performance. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims.

In addition, pursuant to the Employment Ordinance, every superior subcontractor shall be jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may thereby be adversely affected if any of our subcontractors violates his obligations to pay his employees.

Increases in E&M engineering material costs and sub-standard E&M engineering materials may have an adverse impact on our financial results

Our principal E&M engineering materials include electrical conduits, cables and lighting fittings. For FY2014, FY2015, FY2016 and 4M2017, the costs of E&M engineering materials amounted to approximately HK\$40.3 million, HK\$52.3 million, HK\$26.2 million and HK\$18.7 million, respectively, representing approximately 36.4%, 38.4%, 18.0% and 21.5% of our total cost of sales, respectively. We have relied on a number of suppliers to supply us E&M engineering materials and purchases from our top five suppliers accounted for approximately 59.6%, 69.7%, 49.4% and 56.3% of our total material costs for FY2014, FY2015, FY2016 and 4M2017, respectively.

There is no guarantee that the quality of E&M engineering materials supplied to our Group meets our required standards for reasons which are beyond our control, and we may be forced to replace these E&M engineering materials from other suppliers at additional costs or be subject to delay. Furthermore, we cannot guarantee the cost of E&M engineering materials will be stable or that our current suppliers will continue to provide E&M engineering materials at similar prices. If we are unable to source these required E&M engineering materials from alternative suppliers on similar or more favourable terms to us, and we are unable to factor the unexpected fluctuations into each of our tenders or quotations and pass on part or the whole of such increases to our customers or reduce other costs, our financial results and position may be materially and negatively affected.

RISK FACTORS

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

In general, for our contracts, we submit regular payment applications to our customers and normally require our customers to make progress payments calculated in accordance with the value of works done, which may include variation works and claims, if any. The billings for each project are made in accordance with the stipulated terms and conditions of the respective contracts. Progress payment is generally made regularly by reference to the value of works done in that month whereas retention money is withheld by our customers and is only released upon the expiry of the maintenance period or a pre-agreed time period. Please refer to the paragraph headed "Business — Operating Procedures — Progress payment and retention money" in this prospectus for further details.

The credit terms in relation to the settlement of amounts due from our customers arising from the projects carried out by our Group vary from contract to contract. Our credit terms generally range from 30 to 60 days from the date of submitting the payment applications, subject to the terms and conditions of the contracts. Our trade receivables were approximately HK\$40.8 million, HK\$12.0 million, HK\$17.0 million and HK\$19.2 million as at 30 September 2014, 2015 and 2016 and 31 January 2017, respectively. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

In addition, retention monies are generally required by our customers to secure our Group's due performance of the contract. Typically, the amount of retention money is subject to negotiation between the parties and ranges from 5.0% to 10.0% of the value of the works certified, subject to a maximum retention of 5.0% of the awarded contract sum or a monetary cap. Our billed retention receivables amounted to approximately HK\$0.2 million, HK\$0.2 million, nil and nil as at 30 September 2014, 2015, 2016 and 31 January 2017, respectively. If our customers fail to pay the retention monies on a timely basis or at all, our liquidity may be adversely affected.

Our Group may, from time to time, be engaged in prolonged negotiation of the settlement of payment applications, in particular in respect of final payment, which is not uncommon in the E&M engineering services industry. If our customers experience financial distress including any liquidity problems, restructuring, winding up or liquidation, or are unable to settle their payments due to us or release the retention monies to us in a timely manner or at all, our liquidity and financial condition could be adversely affected.

The price of our variation works may not be clearly determined

Our customers may, in the course of project implementation, make "variation order" to our Group and request our Group to alter the scope of works or perform additional works on top of the terms and scope of original contracts. The terms of these "variation order" are agreed between our Group and the authorised representative(s) of our customer or Main Contractor in accordance with the principles that, inter alia, any additional work carried out which is the same as or similar in character to and executed under the same or similar conditions and circumstances to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work. If our Group and the authorised representative(s) of our customer or Main Contractor fail to reach an agreement on the rate at which the variation works are determined, or if we and the authorised representative(s) of our

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customers or Main Contractors take different views on the valuation on variation work, there may arise dispute and the settlement of our payment applications may be prolonged which may affect our liquidity and financial position. There is also no assurance that we will be able to maintain the same or similar profit margins for works performed under these variation orders.

Reliance on our top five customers which accounted for more than 99% of our revenue

The largest customer of our Group for each of FY2014, FY2015, FY2016 and 4M2017, accounted for approximately 47.2%, 49.1%, 58.0% and 43.4% of our total revenue, respectively. For FY2014, FY2015, FY2016 and 4M2017, revenue derived from our top five customers amounted to approximately 99.6%, 99.3%, 99.5% and 99.9% of our total revenue, respectively. Our top five customers during the Track Record Period have maintained business relationship with us for a period ranging from approximately two years to over 20 years. There is no assurance that any of our major customers will continue to engage us as they do currently, or engage us at comparable rates or terms.

We rely on a limited number of major customers. Therefore, if the business of our major customers deteriorates or their development plans in the E&M engineering services industry decrease or delay, the number of contracts placed by them with us may also decline accordingly. Thus, it could have an adverse effect on our operations and profits. In addition, there is no assurance that we would be able to locate new customers to engage us at comparable rates and terms and that we can diversify the composition of our customer base.

Further, if any of our customers becomes insolvent or otherwise defaults on payments, we may not be able to recover significant amount of receivables and thus our cash flows, business and financial position could again be adversely affected.

We generate a significant portion of our revenue from our largest customers and any decrease or loss of business from the HCA Group and Customer F could adversely and substantially affect our operations and financial conditions

During the Track Record Period, our Group in the past derived a significant portion of our revenue from our largest customers, the HCA Group and Customer F. For FY2014 and FY2015, the revenue derived from the HCA Group accounted for approximately 47.2% and 49.1% of our Group's total revenue. For FY2016, the revenue from Customer F accounted for approximately 58.0% of our Group's total revenue. For 4M2017, the revenue from Customer C accounted for approximately 43.4% of our Group's total revenue. We expect to continue to derive a significant amount of our revenue from the HCA Group and Customer F in the near future given our relationship and the contracts in progress with the HCA Group and Customer F currently. If the HCA Group and Customer F terminate their business relationship with our Group, we may not be able to secure another major customer in a timely manner. There is no assurance that the HCA Group and Customer F will continue to be satisfied with our services, or the HCA Group or Customer F will continue to be our customer. Accordingly, if the operation of the HCA Group and/or Customer F deteriorate(s) or either of them terminates their/its business relationship with us, our business, financial condition and results of operation could be adversely affected.

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Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties

In 2013, we detected a theft committed by an accounting officer of CCCL. For details of the theft, please refer to the paragraph headed “Business — Breach of the Theft Ordinance, Chapter 210 of the Laws of Hong Kong (“**Theft Ordinance**”) by a Former Employee (“**Former Employee**”)” in this prospectus. However, we cannot assure you that future incidents of fraud or other misconduct will not occur. It is not always plausible to detect, deter and prevent all fraud or other misconduct committed by our employees or other third parties and our internal procedures designed to monitor our operation may not identify all incidents of misconduct in a timely manner or at all. Any of such fraud or other misdeeds committed at the expense of our Group’s interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group’s business operations, results and financial condition. We could also suffer from negative publicity, reputational damage or litigation losses from such fraud or misconduct, which may have a material impact on our operations.

We may face allegations, complaints or reports by our customers, third parties or the general public, and any failure to deal with such complaints or negative publicity could materially and adversely affect our reputation, business, prospects or our Share price

We undertake E&M engineering services works and provide services that are generally used by the general public as end users. There may be complaints or negative press reports regarding our works, operations or projects in which we are involved, and we may face allegations and complaints made by our customers or third parties in media reports in relation to our operation, our works or compliance with applicable laws. We can be adversely affected by the complaints or allegations relating to our E&M engineering services works, our operations, the non-performance or sub-standard performance of subcontractors, or negative media publicity thereof, whether meritorious or not.

Negative comments, complaints, negative publicity or claims against our Group, whether meritorious or not, will place burden on our Group and divert management and other resources from the business operations, which may adversely affect our business operations. Whether or not justified, any incidents, regulatory investigations or reports through the media or other third parties of possible E&M engineering services works issues, or non-compliance with any laws or regulations involving our Group, our Directors, officers, employees, or shareholders, could significantly damage our reputation, goodwill, and our corporate and brand image, or otherwise affect our ability to conduct or expand our business, and may therefore have a material adverse effect on our business, cash flow, financial condition, results of operations, prospects and Share price.

Our insurance may not fully cover all the potential claims and losses arising from our projects

For projects where our Group contracts with the property owners, we take out employees’ compensation insurance and contractor’s all risks insurance which cover our Group’s and our subcontractors’ employees of all tiers, and works performed by them. Similarly, where we undertake the role of subcontractor in a project, we are covered by the employees’ compensation insurance and contractor’s all risks insurance taken out by the Main Contractor the project. Nonetheless, there is no assurance that all losses and expenses suffered by our Group arising from or in connection with damage to property or other claims arising from or in connection with projects undertaken by our Group can be fully covered by the contractor’s all risks insurance. To the extent that our insurance does not cover such

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claims, losses and expenses, it may adversely affect the financial position of our Group. Claim of such nature may also expose us to the risk of bearing higher insurance premiums in the future and may bring damage to the reputation of our Group creating negative publicity.

We may not be able to sustain growth rate and profit margin similar to those we achieved during the Track Record Period, or maintain our financial performance in the future

Our revenue increased from approximately HK\$132.9 million for FY2014 to approximately HK\$180.8 million for FY2015, approximately HK\$192.1 million for FY2016 and approximately HK\$107.5 million for 4M2017. As at the Latest Practicable Date, the contract sum (excluding all contingent and/or provisional contract amount) for the contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$943.4 million. We may experience delays in the commencement or progress of our work due to factors outside our control such as change in design by our customers, and delays in obtaining governmental approvals for commencement of works by other parties to the contracts.

In addition, for each of FY2014, FY2015, FY2016 and 4M2017, our Group recorded gross profit of approximately HK\$22.2 million, HK\$44.7 million, HK\$46.8 million and HK\$20.4 million, respectively; and net profit margin of approximately 8.8%, 15.5%, 15.8% and 5.5%, respectively. Given the ongoing competition faced by our Group, compounded with possible increases in subcontracting fees, engineering materials and staff costs, there is no assurance that our Group will be able to maintain the gross profit margin, net profit margin and other financial results in the future at a similar level achieved during the Track Record Period.

We cannot assure you that we will be able to maintain our current revenue and profit levels in the future or attain growth rates and profit margins similar to those achieved during the Track Record Period. You should not rely on our results of operations for any prior period as an indication of our future financial or operating performance.

We had pending civil proceedings that were brought against us during the Track Record Period and we may be involved in legal and other proceedings arising from our operations

Although our Group is committed to maintaining a safe working environment at our sites and require our employees to adhere to safety measures and procedures adopted by the Main Contractors and that set out in our corporate health and safety manual which complies with regulatory requirements, we cannot guarantee that our Group, our employees and those of our subcontractors will not violate applicable rules, laws or regulations. If our Group, our employees or those of our subcontractors fail to observe the safety measures, accidents causing personal injuries and/or deaths may occur. In such event, we may be liable to make compensation or fines or subject to other legal liability for such personal injury or death as well as business interruptions for investigations and imposition of safety measures. Further, these industrial accidents may prevent our Group from completing our obligation under the relevant contracts in accordance with their terms. Our Group may also face legal claims from our customers, subcontractors, workers, and other parties concerned for losses and damages or face criminal prosecution as a result.

In such events, we may have to incur costs to defend our Group in legal and other proceedings. As at the Latest Practicable Date, we were a party to a civil litigation case in respect of a personal injuries claim. Please refer to the section headed “Business — Litigation and Potential Claims” of this

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prospectus for further information. Further, regarding our Group's non-compliance incidents in relation to work safety, filing of construction notices to the relevant authorities and notices to the IRD, employees' compensation, unauthorised building works and stamp duty during the Track Record Period as referred to in the paragraph headed "Business — Non-compliance", as advised by our HK Legal Adviser, the quantified estimated aggregate penalty/fine that may be imposed on our Group, as a first-time offender, would be not more than HK\$10,000 if our Group was being prosecuted by the relevant authorities and convicted by the Court for the non-compliance incidents. If we are not successful in defending our Group in any proceedings, we may be liable to pay for the damages and other fines or penalties. In the event of serious accidents or fatal accidents, it may also cause our relevant registrations to be suspended or affect the renewal of which, and may even face prosecution against our Group.

We have contingent liabilities involving uncertainty as to possible loss to our Group

As a security for our due and faithful performance under the relevant contract, some of our customers may require our Group to provide performance bonds in an amount not exceeding 10% of the contract sum issued by a bank or insurance company upon the project being awarded to our Group. As at 30 September 2014, 2015 and 2016 and 31 January 2017, the amounts of outstanding performance bonds were all approximately HK\$5.8 million. In the event that we failed to provide satisfactory performance to our customers to whom the performance bonds have been given or fail to observe the terms, conditions and specifications under the contract with our customers, such customers are entitled to seek compensation from the banks or insurance companies for financial losses incurred not exceeding the bond amount, and our Group will be required to reimburse the banks or insurance companies for any claims paid.

We may encounter defect liability claims

Under the usual terms of our contracts, our customers normally require a maintenance period during which we are responsible for rectifying all defective works, if any, during such maintenance period. The maintenance period, if any, normally ranges from 12 months to 24 months after the practical completion of the contract works or for such other period as our customer may specify depending on the nature and the scale of the entire project. In the event that there are any significant claims raised by our customers or other parties against us for defect liability or any default or failure in relation to our works, we may incur significant amount in rectifying such defects or in settling such claims and in such event our profitability would be adversely affected.

Labour strikes, union actions or work stoppages may affect our business

Our industry requires highly specialised labour to carry out different types of E&M engineering works. Labour strikes, union actions or work stoppages of any types of E&M engineering works may disrupt the progress of our projects. During the Track Record Period, our Group did not encounter any strike or stoppage. Nonetheless, we cannot assure that any strikes or union actions will not be launched in the future. In the event that such strikes or union actions are launched, our business performance and profitability may be adversely affected.

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We are exposed to claims arising from latent defects

We may face claims arising from latent defects, that are existing but not yet discovered, developed or visible, which are not properly handled by our subcontractors. Normally, we will require the relevant subcontractor to make good defective works. However, if their performance is found to be unsatisfactory to the project employer, we may face claims. In the event that there is any significant claims against us for any latent defects by our customers or other party, our profitability would be adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our performance depends on market conditions and trends in the construction industry and in the overall economy and there is no assurance that if the property market in Hong Kong further deteriorates, there will be no material adverse impact on our Group's operation or at all, or our Group will be able to take appropriate measures to minimise the adverse impact on it

All our operations and management were located in Hong Kong during the Track Record Period and up to the Latest Practicable Date. The future growth and profitability of the construction industry largely depends on the continued prosperity of the property market and the construction industry in Hong Kong. The nature, extent and timing of these construction projects will, however, be determined by a number of factors, including the Government's policies on the property market in Hong Kong, its land supply and public housing policy, the investment in construction projects and the general conditions and prospects of Hong Kong's economy. These factors may also affect the availability of construction projects from the private sector or other institutional bodies. Since the construction sectors are cyclical in nature, our Group believes that the downturn in the construction sector may temporarily reduce the demand for our services, as well as reduce the overall value and number of property development projects. As such, our performance and profitability may be adversely impacted. 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. During the Track Record Period, our Group derived all our revenue in Hong Kong. According to the Ipsos Report, Hong Kong property market has recently slowed down. This is attributable to the difficult performance of the retail industry and slowdown of the Mainland economy, which affect home purchasing power and consumer confidence in Hong Kong.

There is no assurance that if the property market in Hong Kong further deteriorates or if there is any recurrence of rescission in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for construction works in Hong Kong deteriorates, there will be no material adverse impact on our Group's operation or at all, or our Group will be able to take appropriate measures to minimise the adverse impact on it.

We operate in a competitive industry

Our Group holds various qualifications granted by the respective Government departments that enable us to tender and carry out E&M engineering services in the construction industry in Hong Kong. CCCL and CEEL, being our subsidiaries, are both Registered Electrical Contractors. CCCL is also on the Specialist List under the category of Electrical Installation (Group III).

In Hong Kong, all contractors engaged in electrical works or fixed electrical installations must be registered with EMSD. New participants may be admitted to compete with us provided that they attain the required technical and management capabilities and skills and are granted the required licenses.

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According to the Ipsos Report, there were more than 9,000 registered electrical contractors in electrical and ELV installation works. Due to the large number of competitors, we may face significant downward pricing pressure which would reduce our profit margins. Thus, if we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be adversely affected.

There is a material shortage of skilled workers in the E&M engineering industry in Hong Kong. If we are unable to retain or replace such workers, it may affect our business and there is no assurance that our labour costs will not increase

According to the Ipsos Report, labour shortage and aging workers have been issues in the construction industry in Hong Kong. According to the Hong Kong Construction Association in March 2017, 43.5% of the 437,271 registered construction workers were over the age of 50. Even without such shortage, we generally compete with similar businesses for skilled workers. Given that we are in a labour intensive industry, we rely on our workers for our business operations and if we are unable to retain or replace such workers, we may be forced to increase our reliance on subcontractors or otherwise be unable to maintain the quality of our services. We cannot assure you that we will be able to maintain a sufficient labour force necessary for us to execute our business, nor can we guarantee that our staff costs will not increase to attract or maintain workers. If this occurs, it could have a material and adverse effect on our results of operations and inhibit our future growth and expansion plans.

Weather conditions, natural disasters, other acts of God, political unrest and other events may have negative impact on the E&M engineering services industry

Weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect the economy, the E&M engineering services industry and our business. Our operations and financial condition may be adversely affected. Political unrest may also cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

In addition, power failures, fire or explosions or other natural disasters could cause disruptions in our Group's operations or cause delays in its delivery schedules.

Furthermore, Hong Kong has in recent years encountered different types of epidemics, which have caused various degrees of damage to the economy of Hong Kong and, in turn, the E&M engineering services industry. If an epidemic outbreak occurs in Hong Kong, the economy of Hong Kong may suffer which will in turn adversely affect our results of operations.

Our Group's operations are subject to due compliance with a number of environmental protection laws, regulations and requirements and changes in such rules, regulations and requirements may adversely affect our operations and profitability

Our Group is required to comply with numerous environmental protection laws, regulations and requirements in Hong Kong. Please refer to the paragraph headed "Business — Environment" in this prospectus for further details in relation to our measures and work procedures that are required to be followed by our operations staff and workers in respect of environmental protection compliance. If our Group's operations fail to meet the applicable environmental protection laws, regulations and requirements, our Group may be subject to fines or required to make remedial measures which may in

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turn adversely affect our operations and financial condition. Furthermore, in the event that there is any changes in the environmental protection laws, regulations and requirements, we may incur more costs in complying with the new laws, regulations and requirements, and failing which may lead to the suspension or ceasing of our relevant registration to operate our business or result in regulatory non-compliances and, in turn, adversely affect our operation and financial results.

RISKS RELATING TO THE SHARE OFFER

An active trading market of the Shares may not develop

Prior to the Share Offer, there has been no public market for any of the Shares. The initial Offer Price range for the Shares was the result of negotiations between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares following the Share Offer. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for the Shares will develop following the Share Offer or that the Shares will always be listed and traded on the Stock Exchange. Our Group cannot assure that an active trading market will develop or be maintained following completion of the Share Offer, or that the market price of the Shares will not fall below the Offer Price.

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

Upon Listing, the trading volume and market price of the Shares may be affected by various factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group, announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares.

Purchasers of the Offer Shares will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$0.23 per Share and HK\$0.26 per Share based on the Offer Price of HK\$0.71 per Offer Share and HK\$0.87 per Offer Share, respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations or new acquisitions of our Group. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the equity interests of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

The Shares held by the Controlling Shareholders of our Group are subject to lock-up beginning on the date on which trading in the Shares commences on the Main Board. While our Group is not aware of any intentions of its existing Shareholders to dispose of significant amounts of their Shares upon expiry of relevant lock-up periods, there is no assurance that its existing Shareholders will not dispose of the Shares held by them. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or Controlling Shareholder, or the availability of Shares for sale by any substantial Shareholder or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial Shareholder of our Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Any options granted under the Share Option Scheme may dilute the Shareholders' equity interests

Our Company has conditionally adopted the Share Option Scheme. As at the Latest Practicable Date, no option had been granted to subscribe for Shares under the Share Option Scheme. Following the issue of new Shares and upon exercise of the options that may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to the consolidated comprehensive income statement of our Group over the vesting periods of the options. The fair value of the options shall be determined on the date of granting of the options. Accordingly, the financial results and profitability of our Group may be adversely affected.

Our Group may not be able to declare and distribute dividends to the Shareholders

Dividends of HK\$2.2 million, HK\$7.3 million, HK\$10.5 million and HK\$23.0 million were declared and paid out by a member of our Group for FY2014, FY2015, FY2016 and 4M2017, respectively. The amount of dividends that were declared in the past should not be used as a reference or basis upon which future dividends will be determined. In the future, the amount of dividends that our Group may declare and pay will be subject to, among other things, the full discretion of the Board, our Group's future operations, earnings, financial performance, cash requirements and availability and any other factors which the Board may consider relevant. Our Group may not be able to declare and distribute dividends to the Shareholders in any year as a result of the abovementioned factors.

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

The Offer Price will be determined on the Price Determination Date, which is expected to be on Friday, 4 August 2017. However, trading of the Shares on the Main Board will not commence until the Listing Date, which is expected to be on Friday, 11 August 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 resulting from adverse market conditions or other adverse developments that could occur between the time of the sale and the time trading begins.

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RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

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

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors, which are based on various assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Group or the Shares

Prior to the completion of the Share Offer, there may be press and media coverage regarding our Group and the Share Offer. Our Directors would like to emphasise to the prospective investors that our Group does not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorised by our Directors or management. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Group or its Shares. Prospective investors are also cautioned that in making their decisions as to whether to purchase the Shares, they should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with Cap. 32 Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules, Chapter 571V of the Laws of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Having made all reasonable enquiries, our Directors confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive in any material respect, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Public 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 Public 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 Lead Managers, any of the Underwriters, any of their respective directors, officers, agents, employees or advisers or any other party involved in the Share Offer.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. Details of the terms of the Share Offer are described in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

The Listing is solely 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. The Placing Underwriting Agreement is expected to be entered into on or about the Price Determination Date. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

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

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Public Offer Shares 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. The distribution of this prospectus and the offering of the Public Offer Shares in other jurisdictions are subject to

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

Under section 44B(1) of Cap. 32 Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our 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.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 11 August 2017. The Shares will be traded in board lots of 3,000 Shares each. The stock code of the Shares will be 2863.

SHARES WILL BE ELIGIBLE FOR CCASS

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

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

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

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, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Selling Shareholder, the Sole Sponsor, any of the Joint Lead Managers, any of the Underwriters, any of their respective directors

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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.

REGISTER OF MEMBERS AND STAMP DUTY

All the Shares issued pursuant to applications made in the Public Offer and the Placing will be registered on the branch register of members of our Company maintained in Hong Kong at Union Registrars Limited. We will maintain our Company's principal register of members in the Cayman Islands at Conyers Trust Company (Cayman) Limited.

Dealings in our Shares registered on the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

LANGUAGE

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

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

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.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

Name	Residential Address	Nationality
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Executive Directors

Chairman and Managing Director

Yung On Wah (翁安華)	House G19, Marina Cove 380 Hiram's Highway Sai Kung, Hong Kong	Chinese
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Finance Director

Li Kar Fai Peter (李嘉輝)	Flat E, 11/F Pak Cheung Court Bedford Garden 163 Tin Hau Temple Rd North Point Hong Kong	Chinese
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Independent non-executive Directors

Chan Cho Chak (陳祖澤)	Flat F, 37/F., Tower 3 Island Harbourview 11 Hoi Fai Road Kowloon Hong Kong	Chinese
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Chan Wing Fai (陳永輝)	Flat A, 63/F, Block 8 Le Point 8 King Ling Road Tseung Kwan O New Territories Hong Kong	Chinese
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Yan Wai Yan (殷偉仁)	Flat B, 16/F, Block E Wylie Court, Wylie Path Ho Man Tin Kowloon	Chinese
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Yeung Wai Lung (楊懷隆)	36/F Flat 9 (BLK B) Kai Tsui Court Yiu Tsui Hse 16 Siu Sai Wan Rd Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower
3 Connaught Road Central
Hong Kong

Joint Bookrunners

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower
3 Connaught Road Central
Hong Kong

Ping An Securities Limited
Unit 02, 2/F, China Merchants Building
152–155 Connaught Road Central
Hong Kong

Joint Lead Managers

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower
3 Connaught Road Central
Hong Kong

Ping An Securities Limited
Unit 02, 2/F, China Merchants Building
152–155 Connaught Road Central
Hong Kong

Yuanta Securities (Hong Kong) Company Limited
23/F, Tower 1, Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

Legal advisers to the Company

As to Hong Kong law:

Hui & Lam LLP
Rooms 1505–6, 15/F, The Center
99 Queen's Road Central
Central
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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Legal advisers to the Sole Sponsor, Joint Bookrunners, Joint Lead Managers and the Underwriters

As to Hong Kong law:

CFN Lawyers

In association with BROAD & BRIGHT
27th Floor, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Auditors and reporting accountants

Deloitte Touche Tohmatsu

Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Property valuer

Norton Appraisals Limited

Independent property valuer
Room 2401–2402, 24/F, Jubilee Centre
46 Gloucester Road
Wan Chai
Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in Hong Kong	Office B, 7/F, TLP132 Nos. 132–134 Tai Lin Pai Road Kwai Chung New Territories Hong Kong
Company’s website	www.goldenfaith.hk
Company secretary	Mr. Li Kar Fai Peter (<i>CPA</i>)
Authorised representatives	Mr. Yung On Wah House G19, Marina Cove 380 Hiram’s Highway Sai Kung, Hong Kong Mr. Li Kar Fai Peter Flat E, 11/F, Block H, Pak Cheung Court Bedford Gardens, 163 Tin Hau Temple Road North Point, Hong Kong
Audit committee	Mr. Yeung Wai Lung (<i>Chairman</i>) Mr. Chan Wing Fai Mr. Chan Cho Chak Ir. Yan Wai Yan
Remuneration committee	Mr. Chan Cho Chak (<i>Chairman</i>) Mr. Yung On Wah Mr. Li Kar Fai Peter Mr. Chan Wing Fai Ir. Yan Wai Yan Mr. Yeung Wai Lung
Nomination committee	Mr. Yung On Wah (<i>Chairman</i>) Mr. Li Kar Fai Peter Mr. Chan Wing Fai Mr. Chan Cho Chak Ir. Yan Wai Yan Mr. Yeung Wai Lung

CORPORATE INFORMATION

Risk management committee

Mr. Li Kar Fai Peter (*Chairman*)
Mr. Yung On Wah
Mr. Chan Cho Chak
Mr. Chan Wing Fai
Ir. Yan Wai Yan
Mr. Yeung Wai Lung

Cayman Islands principal share registrar and transfer office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong branch share registrar and transfer office

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

Compliance adviser

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower
3 Connaught Road Central
Hong Kong

Principal banker

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or 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 us, the Selling Shareholder, the Sole Sponsor, any of the Joint Bookrunners, any of the Joint Lead Managers, any of the Underwriters, our or 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.

SOURCE OF INFORMATION

We have commissioned Ipsos, an independent market research company, to analyse and report on the industry development and competitive landscape of the E&M engineering services industry in Hong Kong for the period from 2011 to 2020 at a fee of HK\$538,000.

Ipsos is an independent market research company and is one of the largest research companies in the world, employing over 16,000 personnel worldwide across 88 countries. Ipsos Business Consulting — the business strategy department of Ipsos — 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 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; (b) performing client consultation to obtain background information of our Company; and (c) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set forth in this section have been extracted from the Ipsos Report.

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.

The following assumptions were used in the research:

- It is assumed that the global economy's growth remains steady across the forecast period
- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the E&M engineering services industry during the forecast period

INDUSTRY OVERVIEW

The following parameters were used in the research:

- Gross output value of overall construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2011 to 2016
- Estimated gross output value of the E&M engineering services industry in Hong Kong from 2011 to 2016
- Number of workers engaging in the E&M engineering services industry in Hong Kong from 2011 to 2016
- Average wage trend of workers engaging in the E&M engineering services industry in Hong Kong from 2011 to 2016
- Historical price trend of key materials used in the E&M engineering services industry in Hong Kong from 2011 to 2016

OVERVIEW OF THE MACROECONOMIC ENVIRONMENT IN HONG KONG AFFECTING THE CONSTRUCTION INDUSTRY, PARTICULARLY FOR THE E&M SEGMENT

The construction industry in Hong Kong has been growing due to the increasing demand for office buildings, retail spaces, residential buildings as well as public infrastructures.

The number of newly registered companies in Hong Kong reached approximately 144,883 in 2016, from 139,530 in 2010. The number of newly registered non-local companies has also increased from about 737 in 2010 to about 874 in 2016, representing a CAGR of about 2.9%.

The stable growth of newly registered companies in Hong Kong indicated the continual demand for office space and commercial buildings therefore the continual public and private investment on building construction, subsequently supporting the construction industry as well as the E&M engineering services industry in Hong Kong.

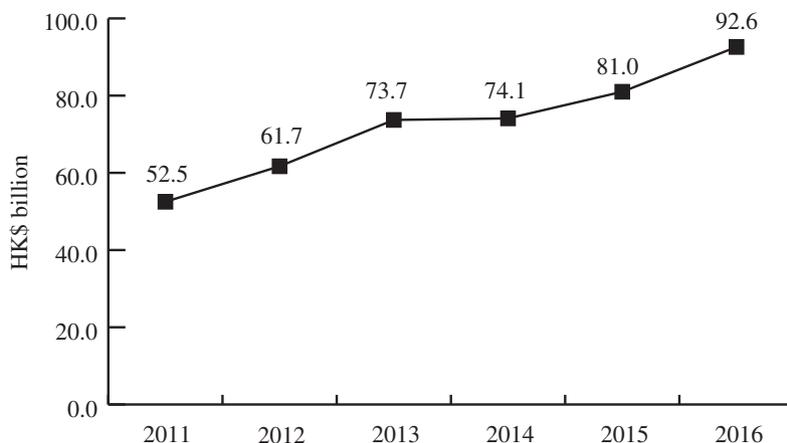
Further, according to the 2017 Policy Address, the Housing Authority and the Hong Kong Housing Society will produce about 94,500 public housing units over the next five years. Specifically, the number of public housing units is expected to increase from 14,300 in 2016/2017 to around 16,700 in 2020/2021 according to the Housing Authority forecast, at a CAGR of about 4.0%. As each new building requires E&M works, these constructions are expected to fuel the demand for the E&M engineering services industry, including the electrical and ELV segment.

Additionally, the 2016 Policy Address mentions an additional 230 hospital beds to be provided by the Hospital Authority this year, as well as a HK\$200 billion fund to be used in the next 10 years to renovate and construct new hospital facilities. About HK\$81.0 billion is expected to be spent on hospital projects such as the construction of Tin Shui Wai Hospital and Hong Kong Children's Hospital, the expansion of United Christian Hospital as well as the redevelopment of Kwong Wah Hospital. According to the 2017–18 Budget, the Government will invest about HK\$89.3 billion on infrastructure between 2017 and 2018.

INDUSTRY OVERVIEW

Between 2011 and 2016, the public expenditure on infrastructure in Hong Kong increased significantly with a CAGR of about 12.0%, from about HK\$52.5 billion to about HK\$92.6 billion.

Public expenditure on infrastructure



Sources: The 2015–16 and 2016–17 Hong Kong Government's Budget Speech, Hong Kong Trade Development Council

The demand for construction works performed by Main Contractors and subcontractors at construction sites in Hong Kong is expected to continue to increase. The pace should be slower, as several major infrastructure projects have recently been completed or are expected to be completed within the coming one or two years.

Historical and expected growth rate of the construction sector:

	At construction sites		At sites other than construction sites
	2011–2016	2017–2020	2011–2016*
Subcontractor	21.6%	5.0%	18.9%
Main Contractor (Public Sector ¹)	13.3%	6.1%	8.6%
Main Contractor (Private Sector ²)	17.3%	3.4%	
Total	16.1%	4.9%	14.6%

* forecast not available

Sources: Census and Statistics Department, HKSAR, CIC, and Ipsos Research and Analysis

¹ Public sector construction projects refer to construction works commissioned by the Government, the MTR Corporation Limited, the Hospital Authority and the Airport Authority. Construction works commissioning departments and statutory bodies of the Government includes the Development Bureau (DB), Civil Engineering and Development Department (CEDD), Drainage Services Department (DSD), Environment Protection Department (EPD), Highways Department (HyD), Architectural Services Department (ArchSD), Water Services Department (WSD), Electrical and Mechanical Services Department (EMSD) and Housing Authority (HA).

² Private sector construction projects refer to construction works commissioned by individuals, privately owned property development companies and commercial enterprises.

INDUSTRY OVERVIEW

MARKET OVERVIEW OF THE E&M ENGINEERING SERVICES INDUSTRY IN HONG KONG

E&M engineering services include electrical system, MVAC and HVAC system, plumbing and drainage system and fire services installation works. The E&M engineering services industry is steering towards designing and installing more complex and more energy efficient systems for buildings in Hong Kong. Electrical and ELV installation works are the most significant contributors of revenue to the E&M engineering services industry.

The public's increasing awareness of energy efficiency, and indoor air quality and sustainability have triggered contractors in the E&M engineering services industry to construct better heating, ventilation and air-conditioning systems. In addition, the increasing trend of intelligent buildings, for example, the Hong Kong Central Library, the International Commerce Centre, etc. has also fueled the demand for new types of E&M engineering services works in Hong Kong. These buildings are technologically more advanced and provide a cost-effective built environment through the optimisation of structure, systems, services and management, to maximise the efficiency of their occupants and allow effective management of resources with minimum life costs. Therefore, the design and installation work processes that go into the servicing of intelligent buildings are also more complicated. Moreover, there were about 21,000 buildings in Hong Kong which are over 30 years old as at January 2017, which will reach over 27,000 in 10 years thus the building maintenance and renovation works are envisaged. This further escalates the need for greater provision of E&M engineering services works, including electrical and ELV, to be done for the foreseeable future.

To perform E&M engineering services works, construction companies must be on the lists or registers issued by authorities. For instance, the authorities responsible for the registration for electrical and ELV installation works in Hong Kong are the EMSD, the Development Bureau and the Housing Authority. It is not uncommon that E&M subcontractors without registration perform E&M work, as long as the Principal E&M Contractor is able to guarantee the quality of the works, either by holding the relevant registrations and licenses themselves, or by engaging another (registered) E&M subcontractor to supervise and certify the work performed by the unregistered subcontractor.

INDUSTRY OVERVIEW

Registration required to perform electrical and ELV installation works:

Functions	Definition and application	Registrations		
		Private sector	Public sector	Public housing projects
Electrical and ELV	<ul style="list-style-type: none"> ● Electrical — Design and integration of circuitry, equipment of power generation, and distribution and safety control ● Low voltage — Design and integration of data networks, intercom systems, audio and video electronic systems, voice evacuation systems, and satellite/TV distribution 	<ul style="list-style-type: none"> ● EMSD: Certificate of Registration of Electrical Contractor (for Electrical Installation works) ● No registration is required for low voltage electrical system works 	<ul style="list-style-type: none"> ● Development Bureau: Approved Suppliers of Materials and Specialist Contractors for Electrical Installation works ● For different types of low voltage electrical system installation works, registrations under the Development Bureau include: Approved Suppliers of Materials and Specialist Contractors for (Audio Electronics Installations, Burglar Alarm and Security Installations, Industrial Type Electronics Installations, Video Electronics Installations, Electronic Timing and Display Installations) (in addition to private sector requirements) 	<ul style="list-style-type: none"> ● Housing Authority: List of Electrical Contractors (in addition to private and public sectors' requirements)

The registered contractors in the E&M engineering services industry in Hong Kong tend to focus on one or two types of E&M engineering services works, instead of providing a full scope of works. As of May 2017, there were over 9,000 contractors registered for the private sector, over 120 contractors registered for the public sector and 26 contractors registered for the public housing sector offering electrical and ELV installation works; 176 contractors registered for the private sector and 62 contractors registered for the public sector offering air-conditioning and ventilation installation works; 345 contractors registered for the private sector, 55 contractors registered for the public sector and 16 contractors registered for the public housing sector offering fire services installation works.

A contractor in the E&M engineering services industry is primarily involved in the design of E&M engineering services systems, sourcing of materials and components, subcontracting and supervising installation works, and testing the systems for its customers.

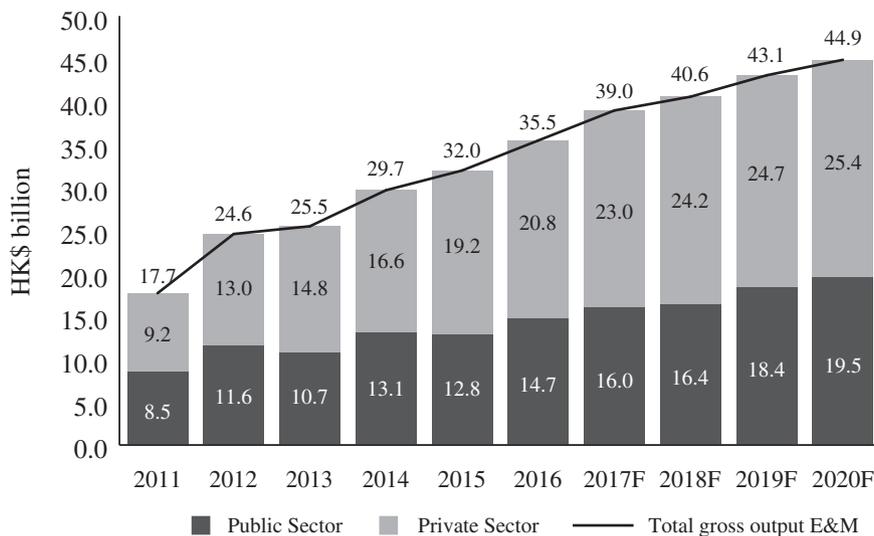
INDUSTRY OVERVIEW

A typical E&M engineering services work supply chain involves a host of participants who each play a critical role in fulfilling the overall construction or building renovation project:

- **In the 1st tender phase**, the land owners (property developers or government), engage Main Contractors for construction or renovation projects.
- **In the 2nd tender phase**, the Main Contractors engage Principal E&M Contractors. By extending tender invitations, the Main Contractors leverage on the knowledge of Principal E&M Contractors to carry out specialist works on E&M engineering services systems.
- **In the final phase**, the Principal E&M Contractors engage E&M engineering services subcontractors, responsible for specific E&M segments. The Principal E&M Contractor is often responsible for designing the E&M engineering services systems, sourcing materials and components from suppliers, subcontracting and supervising the installation to subcontractors, and testing the completed system.

The gross output value of the E&M engineering services industry in Hong Kong increased from an estimated HK\$17.7 billion to HK\$35.5 billion from 2011 to 2016, at a CAGR of about 14.9%. The value of the electrical and ELV segment is estimated to be 15–20% of the total E&M revenue, equivalent to around HK\$5.3 billion to HK\$7.1 billion in 2016. With revenue of around HK\$192.1 million in 2016 in the electrical and ELV segment, our Group’s market share in the electrical and ELV market in Hong Kong is estimated to be between 2.7% and 3.6%.

Gross output value of E&M engineering services industry in Hong Kong



Sources: CIC, HKSAR, and Ipsos Research Analysis

INDUSTRY OVERVIEW

Strong growth in 2011–2016, particularly in the private sector

The gross output value of the E&M engineering services industry in the private sector in Hong Kong increased from an estimated HK\$9.2 billion to HK\$20.8 billion from 2011 to 2016, at a CAGR of about 17.7%. Contributing to this, Hong Kong's construction of offices and commercial spaces were high in the period (for instance, the total floor area of completed private office increased at a CAGR of around 3.6% and that of commercial spaces at a CAGR of around 11.2% between 2010 and 2016).

Slower growth outlook for 2017–2020

The gross output value of the E&M engineering services industry in Hong Kong is expected to experience a slower growth from about HK\$39.0 billion in 2017 to about HK\$44.9 billion in 2020, at a CAGR of about 4.8%. The gross output value of E&M engineering services industry in Hong Kong is fueled by the construction industry, including development of more efficient building systems and maintenance/renovation works for old buildings in Hong Kong. Impacted by the modest economy growth in Hong Kong since 2015 due to the sluggish external demand in retail, tourism and trade, the growth of building construction works in private sector is expected to experience a slower growth.

Robust growth forecast in the public sector

With Government's initiatives to increase the housing supply, the growth of private residential housing and Government investment in hospitals construction and renovation, the gross output value of the E&M engineering services industry for the public sector is expected to continue to grow steadily, at a CAGR of around 6.8% from 2017 to 2020.

Further, revitalisation plans are expected to support the development of the E&M engineering services industry. For instance, the Government provides various subsidies and assistance schemes to support property owners who wish to undertake building rehabilitation. These schemes can accelerate the demand for building refurbishment and E&M services as property owners are more willing to undertake building rehabilitation when Government support is available.

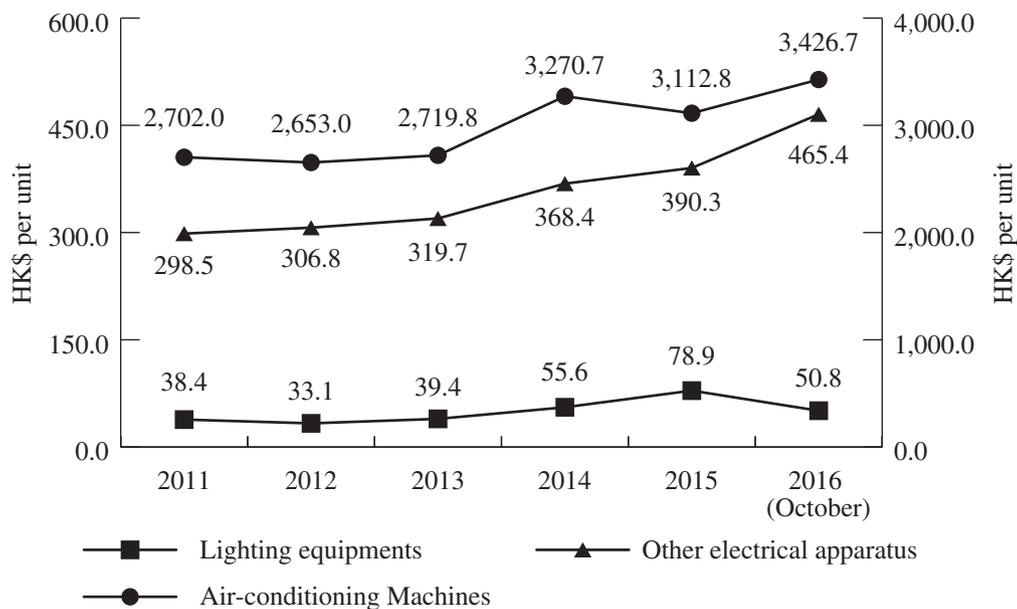
Also, following the ten-year hospital development plan (“**HDP**”) to renovate and construct new hospital facilities, the demand of E&M engineering services will increase over the next 10 years in this segment. The Government has allocated a budget of HK\$200 billion to a ten-year HDP to provide around 5,000 additional public hospital beds and over 90 new operating theatres. This budget will be used to give the Hospital Authority more certainty and control in planning and implementing future hospital projects to tackle the challenges of an ageing society.

INDUSTRY OVERVIEW

Prices of key E&M raw materials and wages of workers have increased between 2011 and 2015

From 2011 to 2016, the average prices of key raw materials for the E&M engineering services industry in Hong Kong have shown an increasing trend; such that lighting equipment have increased from HK\$38.4 to HK\$50.8 per unit, air-conditioning machines witness slight increase from HK\$2,702.0 to HK\$3,426.7 per unit, as well as other electrical apparatus which have jumped from HK\$298.5 to HK\$465.4 per unit, respectively. For 2016, the average price of lightning equipment decreased to HK\$50.8 per unit. The variation in the average import price varies following the size of the demand and supply, as well as the composition of the demand. In 2016 for instance, the average import price for electrical lamp-holders for a voltage not exceeding 1000v decreased by 27%, bringing down the total average for lighting equipment.

Price trend of key raw materials



Note: Price trend of key raw materials refers to the import prices to Hong Kong, not to the retail prices. (1) Lighting equipment refers to electric lamps and lighting fittings. (2) Price trend of air conditioning machines refer to average import price of (i) air-conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, incorporating a refrigerating unit and a valve for reversal of the cooling/heat cycle (reversible heat pumps); (ii) air-conditioning machines nesoi, incorporating a refrigerating unit, nesoi; and (iii) air-conditioning machines nesoi, not incorporating a refrigerating unit (3) Other electrical apparatus are tools used for switching, protecting, connecting to or in electrical circuits.

Source: Census and Statistics Department, Hong Kong Trade Development Council, HKSAR, and Ipsos Research and Analysis

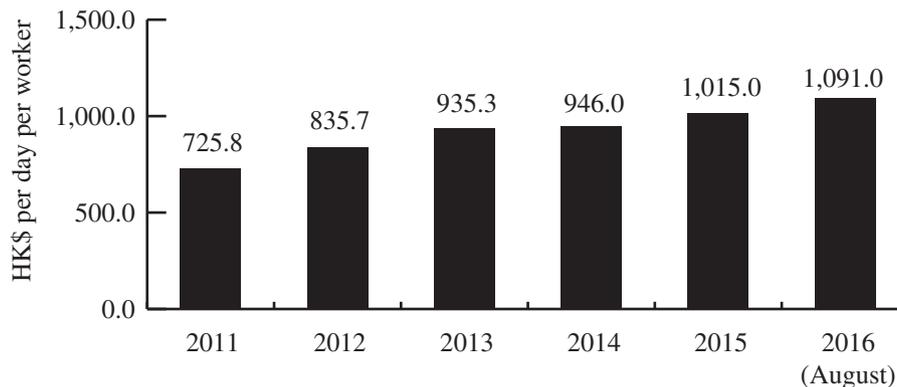
The price surge in lighting equipment and other electrical apparatus from 2011 to 2016 was a direct result of global trend for green energy. Starting from 2012, the Environmental Bureau has issued a consultation paper on the restriction of sale of energy-insufficient incandescent light bulbs and instead promoted compact fluorescent lamps (CFL) as an energy-efficient alternative. The rise of lighting equipment price was benefited by the market shift. In addition, the growth for price of other electrical apparatus was the outcome of increasing popularity of green-building technology. Escalating demand for DIY (“do it yourself”) products in home building design and emphasis on easiness of installation and

INDUSTRY OVERVIEW

maintenance has redefined quality for electrical apparatus. Price increase was observed for technical advanced electrical apparatus featuring flexibility, durability, and both environmental and cost efficiency.

The average daily wages of workers engaging in the E&M engineering services industry in Hong Kong increased from 2011 to 2016, at a CAGR of about 8.5%. The increase was partially due to the introduction of the statutory minimum wage under the Minimum Wage Ordinance, Chapter 608 of the Laws of Hong Kong, which came to force in 2011 and its subsequent upwards revisions in 2013 and 2015, respectively, as well as to the shortage of supply of skilled workers in the construction industry in Hong Kong.

Average Daily Wages of Workers Engaging in E&M Engineering Services Industry



Source: Census and Statistics Department, HKSAR

The future of the E&M engineering services in Hong Kong will steer towards greener and more efficient building systems.

Buildings in Hong Kong have undergone remarkable changes in its building design and construction since 1970s as building owners and occupants are keen on improving environmental health, human comfort and energy efficiency of buildings, resulting in the popularity of intelligent buildings. Social, economic and technological developments have aroused the public's consciousness and expectations on sustainable development issues, particularly on climate change, indoor environmental quality, waste reduction and public health and safety. The future of the E&M engineering services industry will be driven by the introduction of greener and higher-performance building systems, such as the wider use of magnetic bearings, wireless sensors and controllers, low footprint and smart air-conditioning systems, smart grids, low carbon lifecycle lighting etc., and implement better public health and safety policies.

Further, the latest trend in computer based software programs used to assist building system design and analysis is the use of building information modeling, which may include 3D or 4D modeling. 3D building information modeling services enable building visualisation and preview of architectural structures and 4D building information modeling services allow for more informed decision making and better coordination between designers and builders, bearing in mind that time is an important factor in any building construction project.

INDUSTRY OVERVIEW

Finally, the development of the electrical engineering services sector has been relatively stable and adaptable to the economic impact. Qualified persons are always required by Government's infrastructures and constructions as well as the private sector to perform periodic maintenance, repairs and inspection on all kinds of electricity systems in compliance with the statutory requirements. Electrical engineering talents, therefore, are always in demand. The sector also enjoys the prosperity of the economic development. The demand for electrical and mechanical engineering personnel has become greater as the economy of Hong Kong recovers in recent years.

COMPETITIVE ENVIRONMENT OF THE E&M ENGINEERING SERVICES INDUSTRY IN HONG KONG

Competition in the E&M engineering services industry is highly fragmented, with thousands of registered contractors in the overall industry in Hong Kong. In the E&M engineering services industry, there are over 9,000 registered contractors in electrical and ELV installation works, around 200 registered contractors in air-conditioning installation works and around 300 contractors in fire services installation works.

The many players in the industry compete to be invited for tender, and to win tender, based on the quality of the engineering work, their team's experience and capabilities, and strategic relationships.

The E&M engineering services industry focus much on the quality of work, the timeliness of the delivery and past performances. Therefore, contractors with strong track records could prove that they have a higher ability to complete quality work in a timely manner and hence, the more likely they will be awarded with projects. Usually, the key players are often the ones with the strongest track record in the industry.

Most E&M contractors do not hold all types of licenses. Those that hold several licenses tend to be more experienced, and they are usually more capable to carry out different scales of work. Besides, E&M engineering services contractors who provide one-stop services are relatively more "attractive" to the Main Contractors. The reason behind is that because one-stop services encompass the entire project scope, which may reduce management effort of the Main Contractors and minimise the coordination costs.

Strategic relationships increase the competitiveness of a contractor, as well as increasing the flexibility to set prices for their services to Main Contractors. A long-term network stabilises the source of materials and reduces the probability of project delay.

INDUSTRY OVERVIEW

Top five E&M engineering services companies in Hong Kong in 2016

Rank	Company	Revenue in 2016 (HK\$ million)	Market Share (%)	Key Product and Service Scope
1	Competitor A	3,478.5	9.8	Air-conditioning and mechanical ventilation system, fire-service system, plumbing and drainage system, and low voltage electrical system.
2	Competitor B	1,584.0	4.5	Building services engineering works, including electrical works, air-conditioning and fire services, water services and waste water treatment, telecommunication facilities, interior fitting out, project management, building automation and maintenance services.
3	Competitor C	1,517.4	4.3	Electrical and mechanical engineering services, including electrical installation, air-conditioning, fire prevention and fighting, plumbing and drainage, building automation systems, and engineering maintenance services.
4	Competitor D	1,006.2	2.8	HVAC systems, building management systems and controls, mechanical equipment, technical services and energy management consulting.
5	Competitor E	890.0	2.5	HVAC systems, electrical systems, intelligent building management systems, fire protection systems, plumbing and drainage systems, water treatment systems, environmental protection, mechanical equipment.
	Others	27,028.0	76.1	
	Our Company*	<u>192.1</u>	<u>0.5</u>	Electrical and ELV systems.
	Total	<u><u>35,504.0</u></u>	<u><u>100.0</u></u>	

* The market share of our Company is given for indicative purposes only, as the revenue is measured for the year ended 30 September 2016.

Source: Ipsos Research and Analysis

Growth in the E&M engineering services industry will come in the form of maintenance of old buildings, design of more energy efficient systems and greater demand of E&M engineering services from increased supply of residential units and other public expenditures, such as the construction and renovation projects of the Hospital Authority. There will be over 27,000 old buildings in Hong Kong by

INDUSTRY OVERVIEW

2027 and various maintenance work will need to be carried out on these buildings to ensure their full functionality. By this, a constant stream of projects for E&M engineering services contractors will arise and act as one of the growth drivers for the industry.

Intelligent buildings with innovative designs are more popular nowadays and this will boost the growth in the E&M engineering services industry. This is because engineers will focus more on the built-in design of the building and increase the number of energy efficient buildings. Since there has been a significant progress made in the design of energy efficient building systems, which provides more opportunities for the industry, it is observed that there will be an increasing number of these kinds of innovative buildings and the old ones will be renovated or replaced by these energy efficient buildings.

The E&M engineering services industry presents a number of entry barriers, common in the construction industry in Hong Kong:

(i) Credible track record of high quality projects

Projects for E&M engineering services contractors are offered according to the capabilities and the track records of contractors. New entrants who do not have a credible track record will find it hard to prove their capabilities and to fight for the tender.

(ii) Experienced and qualified technical personnel

Contractors should have enough technical staff in order to register with the authorities and to carry out various project work. It is essential to have a team of experienced technical personnel, which is important to the assessment of the credibility of a contractor. Therefore, it is crucial for new entrants to hire a group of highly experienced personnel to enhance their credibility, which will be increasingly difficult in an industry where manpower is running short.

(iii) Required registrations under different authorities for various types of work

Contractors must meet certain requirements in order to be eligible for the registration of different types of E&M engineering services work. However, E&M subcontractors may perform work without registration, as long as the Principal E&M Contractor is able to guarantee the quality of the works, either by holding the relevant registrations and licences, or by engaging another (registered) E&M subcontractor to supervise and certify the work performed by the unregistered subcontractor.

Further, the industry presents several opportunities, such as the increasing environmental awareness and demand for Wi-Fi hotspot installation, as well as the expected constant flow of new constructions and renovation projects in the next decade.

(i) The increasing environmental awareness:

The increase of energy efficiency buildings enables the E&M engineering services contractors to differentiate themselves in the industry through developing innovative design and technology. Contractors that are capable to design and implement more energy efficient building systems will gain a greater market share in the industry.

INDUSTRY OVERVIEW

(ii) The increasing demand for Wi-Fi hotspot:

According to the 2016 policy address, the Government is planning to double the Wi-Fi hotspots to 34,000 within three years in order to optimise the hotspot coverage and Wi-Fi connection to all public rental housing (PRH) estates, public hospitals, markets, parks, sitting-out areas, promenades, tourist spots, public transport interchanges, and land boundary control units, as well as enhance the security at Government venues.

Also, for the concept of ‘Digital Development and Smart City’ in 2016 policy address, the Innovation and Technology Bureau (ITB) in Hong Kong aims at formulating policies on application of big data, publishing datasets to publics for big data analysis, which would drive the demand of E&M works especially on electrical and ELV works.

(iii) Constant flow of projects in the next decade

The Government is committed to increase land supply for public housing construction and the land sale program for residential units. These initiatives will offer projects opportunities for the E&M engineering services industry for the next decade

(iv) Increasing number of hospital projects

Several major Hospital Authority projects commenced between 2011 to 2015, including the construction of blood transfusion service centers, the Hong Kong Buddhist Hospital, the Hong Kong’s Children Hospital, the Tin Shui Wai Hospital, and the Yan Chai community health and wellness center. These projects contributed around HK\$27.3 billion to the construction industry and consequently increased the demand for E&M engineering services as all projects require E&M engineering works.

Looking forward, the ten-year hospital development plan (“**HDP**”) to renovate and construct new hospital facilities will increase the demand for E&M engineering services. Eight of the existing hospitals will have at least one new hospital block constructed starting from 2017. The construction of one new hospital, three community health centers and one support services center are also included in the plan. These new hospital blocks and health centers will require various E&M installations, such as air-conditioning and fire service systems, driving the E&M engineering services industry in Hong Kong.

E&M engineering services contractors will need to adapt agilely to changing conditions by capitalising on emerging opportunities and mitigating potential threats.

(i) Unexpected external costs

Contractors determine the fees by estimating the work time and costs. However, there is no assurance that the actual work time and costs will be within the estimations during the implementation stage. Unexpected external factors may arise, such as shortage of labour, cost escalation of materials and labour, etc. As a result, if a contractor fails to complete deliverables according to specifications and quality standards, disputes and contract termination may arise while the anticipated returns may be lower than expected.

INDUSTRY OVERVIEW

(ii) Reliance on suppliers and subcontractors to deliver

E&M engineering services contractors may not always carry out installation works, and rely on suppliers to source the materials, and depend on the subcontractors to carry out the installation aspects of the projects. Setbacks in subcontracting phase may require the contractor to delay the deliverables or to source the service at a higher price elsewhere.

REGULATORY OVERVIEW

This section sets forth a summary of the material laws and regulations applicable to our business operations in Hong Kong.

CONTRACTORS REGISTRATION REGIMES

Undertaking public works contracts

A contractor who wishes to tender for and carry out public works in Hong Kong must apply to be admitted to either of the following approved lists maintained by the WBDB:

- the Specialist List, which comprises suppliers and specialist contractors who are approved for carrying out public works in one or more of the 50 categories of specialist works, for example, air-conditioning installation, electrical installation and liquefied petroleum gas installation; some of which are further divided into different classes according to the types of works within that particular specialist works category and different groups according to the value of contracts for which a contractor registered in that group is normally eligible to tender; or
- the Contractor List for Public Works, which comprises contractors who are approved for carrying out public works in one or more of the five work categories, namely buildings, port works, roads and drainage, site formation and waterworks.

As at the Latest Practicable Date, CCCL was registered on the Specialist List.

Requirements for admission and retention on the Specialist List

For admission and retention on the Specialist List and for the award of public works contracts, a contractor is required to meet the financial, technical, and management criteria applicable to the appropriate category and group for admission and retention on the Specialist List. Set out below are the major requirements that are required to be met and maintained:

Criteria	Major items
Financial:	<ul style="list-style-type: none">• shall generally possess a positive capital value;• (as a contractor in more than one category) shall be able to maintain minimum levels of employed and working capital applicable to his highest category, group and status, including those classified for retention on the Specialist List;• shall be able to maintain certain minimum levels of employed capital and working capital;• shall be able to rectify shortfalls in capital requirements by approved sources of funding;• shall operate on an average loss rate of not more than 30% (if a contractor's business is at a loss); and• shall be able to complete the contractor's outstanding contracts in both public and private sectors.

REGULATORY OVERVIEW

Criteria	Major items
Technical and management:	<p>Job experience:</p> <ul style="list-style-type: none">● shall possess adequate experience in the type and size of work of the category, shall be able to deliver satisfactory quality of work compatible with government standard; and● shall possess adequate experience in contractual management of work of the category. <p>Personnel:</p> <ul style="list-style-type: none">● shall possess relevant qualification and minimum number of management and technical staff; and● shall be working with registered electrical workers registered under the Electricity Ordinance, who can be qualified engineer(s), technical support staff or craftsman. <p>Registration with relevant authorities in Hong Kong:</p> <ul style="list-style-type: none">● shall be a registered contractor under the Electricity Ordinance; and● shall be accredited with the relevant quality management system certification.

Generally, upon satisfaction of the above requirements, an approved contractor will be admitted initially on probation in the appropriate work category and group, during which it will be limited in the number and value of contracts for which it is eligible to tender.

Upon reaching the required financial, technical and management criteria, a probationary contractor may apply to the WBDB for a “confirmed” status and subsequently for elevation to a higher group in the works category in order to tender for contracts of higher or unlimited values.

Renewal of Registration

While admissions to the WBDB approved lists are not subject to expiry and renewal requirements, approved contractors intending to be retained on the approved lists shall submit audited accounts to the WBDB annually for ensuring their compliance with the minimum financial criteria. Any approved contractor failing to meet the designated financial requirements will not be recommended for tender awards for contracts in this prevailing group or category.

REGULATORY OVERVIEW

Regulatory actions

The WBDB may take regulatory actions against a contractor who is on the Specialist List to ensure that certain standards of financial capability, expertise, management and safety are maintained by the contractor carrying out Government works. These regulatory actions include: (i) removal from all categories or from a particular category in which the contractor is listed; (ii) suspension from tendering in all categories or from a particular category in which the contractor is listed. A time limit for review will be set in all cases but will not be longer than six months; (iii) downgrading or demotion in a particular category in which the contractor is listed. Circumstances which may lead to the taking of regulating actions include, but are not limited to, failure to submit accounts or meet the financial criteria within the prescribed time, and violation of laws.

There were no regulatory actions taken by the WBDB against our Group during the Track Record Period and up to the Latest Practicable Date.

Subcontractor Registration Scheme

To tender for and carry out capital works and maintenance works contracts in the public sector of Hong Kong or in construction projects (if the contract so requires) as subcontractors, subcontractors shall be registered in one or more of the 52 trades in the Primary Register of the SRS (formerly known as the Voluntary Subcontractor Registration Scheme) managed by the CIC. In broad, the 52 trades cover common structural, civil, finishing, E&M engineering services works as well as supporting services. Some trades are further classified into several specialties with reference to specialisation in the relevant industry. An approved contractor in relation to capital works and maintenance works in the public sector of Hong Kong is required to employ subcontractors registered from the respective trades available under the SRS.

Requirements for registration

To apply for registration in a trade on the Primary Register, a corporate subcontractor shall comply with the following major entry requirements:

Criteria	Major items
Project undertaken or comparable experience:	<ul style="list-style-type: none">• completion of at least one job within the last five years as a main contractor or subcontractor in the trades and specialties for which registration is applied, or comparable experience acquired by the applicant or its directors within the last five years; or
Qualifications on Hong Kong Government registration scheme:	<ul style="list-style-type: none">• listing on one or more government registration schemes relevant to the trades and specialties for which registration is sought; or
Qualifications/working experiences on board of directors:	<ul style="list-style-type: none">• the applicant or its director shall have been employed by a registered subcontractor under the SRS for at least five years with experience in the trades and (where applicable) the specialties for which registration is sought, and having completed the prescribed training modules for subcontractors (or equivalent) conducted by the CIC; or

REGULATORY OVERVIEW

Criteria

Major items

- the applicant or its director shall be registered as a registered skilled worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade and (where applicable) the specialty with at least five years of relevant experience, and having completed the prescribed training modules conducted by the CIC.

Validity period and renewal of registration

An approved registration is valid for two years from the approval date. A registered subcontractor under the SRS shall apply for renewal within three months before expiry of the current registration by submitting an application in specified form and providing information and supporting documents to show continued compliance with the entry requirements. An approved renewal is valid for two years from the expiry of the current registration.

Regulatory action

The CIC may take regulatory actions against a registered subcontractor on the Primary Register of the SRS for failing to comply with the Codes of Conduct for Registered Subcontractor as set out in the Rules and Procedures for the Primary Register of the SRS. These regulatory actions include: (i) issue of warning notice to the registered subcontractor; (ii) directing the registered subcontractor to submit an improvement plan within a specified period; and (iii) suspension of registration for a specified period or revocation of registration and in both cases, the name of the registered subcontractor will be removed from the Primary Register of the SRS. A registered subcontractor whose registration has been revoked shall not be eligible for reregistration for a period of two years from the date of revocation.

Our Directors confirm that there were no regulatory actions taken by the CIC against our Group during the Track Record Period and up to the Latest Practicable Date.

Contractors Registration System for Building Works

General Building Contractor and Specialist Contractor

Under section 2 of the Buildings Ordinance, building works include any kind of building construction, site formation works, ground investigation in the scheduled areas, foundation works, repairs, demolition, alteration, addition and every kind of building operation, and include drainage works.

Under the current contractor registration system in Hong Kong, a contractor must register with the Building Authority as a general building contractor or a specialist contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works (including demolition works, foundation works, ground investigation field works, site formation works and ventilation works) designated for registered specialist contractors.

REGULATORY OVERVIEW

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

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

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

LICENCES AND REGISTRATIONS REQUIRED FOR OUR GROUP'S E&M ENGINEERING SERVICES BUSINESSES

Electrical Works

Registration under the Electricity Ordinance

Under section 2 of the Electricity Ordinance, "electrical work" means work in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low voltage or high voltage fixed electrical installation and includes the supervision and certification of that work and the certification of design of that installation. Examples of fixed electrical installations are distribution boards, wiring installations and lighting fittings that are fixed in premises. However, persons who are engaged in work on electrical installations other than fixed electrical installations need not be registered. Examples of electrical installations other than fixed electrical installations are portable electrical home appliances such as table lamps, television sets, refrigerators, etc.

Electrical works are further classified into five grades based on the voltage and capacity of electricity involved in an electrical installation and industry specialisation.

Registered electrical workers

Only a REW shall do the electrical works specified in his certificate of registration. However, where a non-REW works under the oral or written instruction of a REW who is aware of and responsible for that non-REW's work, the non-REW may do electrical works of the kind specified in the supervising REW's certificate of registration, except the following:

- certifying that a fixed electrical installation complies with the Electricity Ordinance; or
- works on energised parts of a fixed electrical installation when the non-REW is not immediately adjacent to the supervising REW.

REGULATORY OVERVIEW

To register as a REW to do electrical works in at least one grade, an individual shall satisfy the Director of the EMSD that he has the qualification to do electrical work in the relevant grades as set out in Part III of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), such as completion of the prescribed apprenticeship or training, possessing craftsmanship, academic qualification or practical experience in electrical engineering and electrical works, or passing the prescribed examination or trade test.

As at the Latest Practicable Date, our Group had employed over 20 REWs.

Registered electrical contractors

To qualify as a REC, a corporate applicant must employ at least one REW. No contractor shall do business as an electrical contractor or carry out electrical works unless it is a REC.

As at the Latest Practicable Date, CCCL and CEEL, which were members of our Group and had satisfied the above requirement, are RECs.

Validity period and renewal of registration

A registration for REW or REC is valid for the 3-year period shown on the certificate of registration. Under Regulation 13 of the Electricity (Registration) Regulations, a REW or REC shall apply to the director of the EMSD for renewal of its/his registration within one to four months prior to the date of expiry of the registration.

Regulatory actions

Where the director of the EMSD considers that there is evidence that a REW or a REC has failed to comply with the Electricity Ordinance, he may: (i) reprimand the worker or contractor, and/or fine a worker up to HK\$1,000 and a contractor up to HK\$10,000; or (ii) refer the matter to the Secretary for Environment for hearing by a disciplinary tribunal, who may do one or more of the following:

- (a) reprimand the registrant;
- (b) fine a worker up to HK\$10,000 and a contractor up to HK\$100,000;
- (c) suspend or cancel the registration of the registrant;
- (d) suspend the registrant's right to apply for registration or renewal of registration for a prescribed period.

The director of the EMSD may cancel a registration if he considers that: (i) the registrant obtained registration by fraud or on the basis of misleading or inaccurate information; (ii) the registration was made in error; or (iii) the registrant is no longer qualified under the Electricity Ordinance to be registered.

Our Directors confirm that there were no regulatory actions taken by the EMSD against our Group during the Track Record Period and up to the Latest Practicable Date.

REGULATORY OVERVIEW

Undertaking contracts in the public sector

Specialist Contractors for Electrical Installation

To register as a Specialist Contractor for Electrical Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the paragraph headed “Undertaking public works contracts” in this section above.

The major specific criteria for admission and retention on the Specialist List for Electrical Installation are set out below:

Specific admission/ retention criteria

Group III

Financial criteria

Minimum employed capital HK\$4.7 million

Minimum working capital HK\$3.4 million

Major technical and management criteria

Registration with relevant
authorities in Hong Kong

1. The applicant shall be a REC
2. Relevant accredited QMS certificates

Minimum number of technical
staff

Qualified engineer:

- 1 qualified engineer (electrical or building services discipline)

Technical support staff:

- 2 technicians
- 4 site supervisors
- 2 draftsmen

Craftsman:

- Employ adequate numbers of craftsman

Statutory registration:

- 1 REW in Grade C0
- 2 REWs in Grade C2
- 5 REWs in Grade A2

REGULATORY OVERVIEW

Contractors registered with the WBDB as Specialist Contractors for Electrical Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of low voltage electrical installation comprising incoming electricity supply, main and sub-main distribution system, final circuits, power points, lighting points, lighting fittings, electrical appliances, lightning protection and earthing system for building and amenity projects subject to certain tender limits.

As at the Latest Practicable Date, CCCL, which was a member of our Group and had satisfied the above criteria, was registered as a Specialist Contractor for Electrical Installation (Group III).

Registered Subcontractor in the electrical trade

To register as a registered subcontractor in the electrical trade on the Primary Register, a registrant shall satisfy the relevant entry requirements, a general summary of which is provided under the paragraph headed “Subcontractor Registration Scheme” in this section above.

As at the Latest Practicable Date, CCCL and CEEL, which were members of our Group and had satisfied the relevant entry requirements, were registered subcontractors in the electrical trade on the Primary Register. For details, please refer to the paragraph headed “Business — Qualifications” in this prospectus.

MVAC Systems

Registration with the Building Authority

Ventilating system works to be undertaken in respect of the construction, inspection and certification of ventilation systems with ducting and trunking passing across building compartments under the Building (Ventilating Systems) Regulations (Chapter 123J of the Laws of Hong Kong), shall be carried out by a contractor who is qualified as a registered specialist contractor included in the ventilation works sub-register established under the Buildings Ordinance.

As at the Latest Practicable Date, neither CCCL nor CEEL (both of which are members of our Group) were registered as a specialist contractor in the Ventilation Works Sub-register under the Buildings Ordinance. However, as advised by our HK Legal Adviser, each of CCCL and CEEL is allowed to carry out the abovementioned activities as long as they are supervised and their works are certified by a specialist contractor in the relevant category.

Undertaking contracts in the public sector

Specialist Contractors for Air-conditioning Installation

To register as a Specialist Contractor for Air-conditioning Installation with the WBDB, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the paragraph headed “Undertaking public works contracts” in this section.

REGULATORY OVERVIEW

The major specific criteria for admission and retention on the Specialist List for Air-conditioning Installation are set out below:

Specific admission/retention criteria	Group I (direct entry)	Group II (entry on probation) <i>(Note)</i>
Financial criteria		
Minimum employed capital	HK\$0.57 million	HK\$4.7 million
Minimum working capital	HK\$0.57 million	HK\$3.4 million
Major technical and management criteria		
Registration with relevant authorities in Hong Kong	<p>The applicant shall be:</p> <ol style="list-style-type: none"> 1. a Registered Specialist Contractor in the Ventilation Works Sub-register under the Buildings Ordinance; and 2. a REC. 	<p>The applicant shall:</p> <ol style="list-style-type: none"> 1. be a Registered Specialist Contractor in the Ventilation Works Sub-register under the Buildings Ordinance; 2. be a REC; and 3. has relevant accredited QMS certificates.

Note: Direct entry to Group II is not permitted.

REGULATORY OVERVIEW

Specific admission/retention criteria	Group I (direct entry)	Group II (entry on probation) <i>(Note)</i>
Minimum number of technical staff	Technical support staff: <ul style="list-style-type: none"> ● 2 technicians ● 2 site supervisors ● 1 draftsman Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsman Statutory registration: <ul style="list-style-type: none"> ● 1 REW in Grade A2 ● 1 licensed plumber (the licensed plumber and REW can be the technical support staff or craftsman) Qualified welder: <ul style="list-style-type: none"> ● Employ 1 qualified welder 	Qualified engineer: <ul style="list-style-type: none"> ● 1 qualified engineer (mechanical or building services discipline) Technical support staff: <ul style="list-style-type: none"> ● 2 technicians ● 4 site supervisors ● 2 draftsmen Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsman Statutory registration: <ul style="list-style-type: none"> ● 2 REWs in Grade A2 ● 1 licensed plumber (the licensed plumber and REW can be the qualified engineer, technical support staff or craftsman) Qualified welder: <ul style="list-style-type: none"> ● Employ 2 qualified welders

Contractors registered with the WBDB as Specialist Contractors for Air-conditioning Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of air-conditioning installations comprising chillers, refrigeration systems, heat rejection plant, pipeworks, water handling equipment, air ducts, air handling equipment, thermal insulation, control and monitoring system, etc. subject to certain tender limits.

Note: Direct entry to Group II is not permitted.

REGULATORY OVERVIEW

As at the Latest Practicable Date, neither CCCL nor CEEL (both of which are members of our Group) were registered as a Specialist Contractors for Air-conditioning Installation. However, as advised by our HK Legal Adviser, each of CCCL and CEEL is allowed to carry out the abovementioned activities as long as they are supervised and their works are certified by a specialist contractor in the relevant category.

Registered Subcontractor in the Heating, Ventilation, and Air-conditioning trade

To register as a registered subcontractor in the heating, ventilation, and air-conditioning trade on the Primary Register, a registrant shall satisfy the relevant entry requirements, a general summary of which is provided under the paragraph headed “Subcontractor Registration Scheme” in this section above.

As at the Latest Practicable Date, neither CCCL nor CEEL (both of which are members of our Group) were registered subcontractors in the heating, ventilation, and air-conditioning trade on the Primary Register. However, as advised by our HK Legal Adviser, each of CCCL and CEEL is allowed to carry out the abovementioned activities as long as they are supervised and their works are certified by a specialist contractor in the relevant category.

LABOUR, HEALTH AND SAFETY LAWS AND REGULATIONS

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 to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by, so far is reasonably practicable:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- as regards any workplace under the proprietor’s control, (1) maintaining the workplace in a condition that is safe and without risks to health; and (2) providing and maintaining safe access to and egress from the workplaces that are safe and without any such risks; and
- providing and maintaining a safe and healthy work environment.

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

REGULATORY OVERVIEW

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, etc. Contravening any of these rules shall be an offence and a contractor committing the relevant offence without reasonable excuse could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

Pursuant to the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong), a proprietor or a contractor shall have various duties, including: (i) attending to the development, implementation and maintenance of a safety management system; (ii) attending to the preparation and revision of safety policy; (iii) attending to the establishment of safety committee; and (iv) attending to the appointment of registered safety auditor to conduct safety audit. A contravention of any of these prescribed duties shall constitute an offence punishable by a fine of up to HK\$200,000 and imprisonment of up to six months.

Pursuant to the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation (Chapter 59Z of the Laws of Hong Kong), a proprietor shall employ a person as a full time safety officer and safety supervisor in the manner specified in the said regulation, and ensure that the said employee's duties are carried out under his due supervision, and shall provide all such assistance, equipment, facilities and information as may be necessary for the employee to properly carry out his duties. Contravention of any of these rules shall constitute an offence punishable by a fine of up to HK\$50,000.

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

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

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

REGULATORY OVERVIEW

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

The Commissioner for Labour may also issue (i) improvement notice against contravention of this Ordinance or the Factories and Industrial Undertakings Ordinance requiring employer to remedy the contravention within specific period/refrain from continuing or repeating the contravention or (ii) suspension notice directing specific activity not to be undertaken, or the premises, plant or substance not to be used, while the notice remains in force. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 (plus a further fine of HK\$50,000 for each day if contravention is knowingly and intentionally continued) respectively and imprisonment of up to 12 months.

Occupiers Liability Ordinance

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

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

Employees' Compensation Ordinance

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies resulting 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 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.

REGULATORY OVERVIEW

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with this Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 and to imprisonment for two years.

According to section 15 of the Employee's Compensation Ordinance, an employer shall notify the Commissioner of Labour of any accident which results in the death of the employee within three days after the accident by submitting Form 2, not later than seven days after the accident or 14 days for accident which results in the total or partial incapacity, irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of seven and 14 days respectively, then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Employment Ordinance

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

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days (or such other additional period not exceeding 90 days as permitted) after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware.

A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior

REGULATORY OVERVIEW

subcontractor, as the case may be. The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

Immigration Ordinance

Pursuant to section 38A of the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), 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 the construction site, or (ii) prevent illegal workers who are not lawfully employable from taking employment on the construction 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.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) 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 this Ordinance is void.

Mandatory Provident Fund Schemes Ordinance

Under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employers are required to enrol their regular employees (except for certain exempt persons) who are at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund ("MPF") scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$6,500 per month, respectively, before 1 November 2013, HK\$25,000 and HK\$7,100 per month, respectively, from 1 November 2013 to 30 May 2014, or HK\$30,000 and HK\$7,100 per month, respectively, on or after 1 June 2014), an employer shall deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 per month before 1 June 2014 or HK\$1,500 per month on or after 1 June 2014. An employer shall also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 per month on or after 1 June 2014).

REGULATORY OVERVIEW

Industry scheme

Industry schemes (the “**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 either on a day-to-day basis or for a fixed period of less than 60 days.

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

- foundation and associated works;
- civil engineering and associated works;
- demolition and structural alteration works;
- refurbishment and maintenance works;
- general building construction works;
- fire services, mechanical, electrical and associated works;
- gas, plumbing, drainage and associated works; and
- interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries have to join the Industry Schemes. However, the Industry Schemes provide convenience to the employers and employees in the construction and catering industries as 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.

Construction Workers Registration Ordinance

The Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) (the “**CWRO**”) was enacted on 2 July 2004 to provide, among others, for registration and regulation of construction workers. The principal objective of the CWRO is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

Employment of registered construction workers

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

REGULATORY OVERVIEW

Keeping and submission of site daily attendance report

Under section 58 of the CWRO, a principal contractor/controller of a construction site is required to:

1. establish and maintain a daily record in the specified form that contains information on registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller, and personally carry out on the site construction work (section 58(7)(a) of the CWRO); and
2. furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record:
 - i. for the period of seven days after any construction work begins on the site; and
 - ii. for each successive period of seven days,

within two business days following the last day of the period concerned (section 58(7)(b) of the CWRO).

The “designated workers for designated skills” provision, which stipulates that, except specified circumstances, only registered skilled workers or semi-skilled workers of designated trade divisions are allowed to independently carry out construction works of related trade divisions on construction sites, has come into effect as of April 2017.

ENVIRONMENTAL PROTECTION

Air Pollution Control Ordinance

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) 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, the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

REGULATORY OVERVIEW

Noise Control Ordinance

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling between 7 a.m. and 7 p.m. on any day, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in any place are not allowed between 7 p.m. and 7 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. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Noise Control Authority. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of HK\$100,000; (b) on second or subsequent conviction, to a fine of HK\$200,000, and, in any case, to a fine of HK\$20,000 for each day during which the offence continues.

Waste Disposal Ordinance

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

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

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at prescribed facilities. A main contractor who undertakes construction work with a value of HK\$1 million or above will be required to, within 21 days after being awarded the contract, make an application to the Director of Environmental Protection to establish a billing account to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

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

REGULATORY OVERVIEW

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection Department. A person who, except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence, and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offence, HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and HK\$10,000 for each day during which the offence continues.

COMPETITION LAW

Competition Ordinance

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, the second conduct rule and the merger rule.

The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong. The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. The merger rule prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. The scope of application of the merger rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Pursuant to section 82 of the Competition Ordinance, if the Competition Commission has reasonable cause to believe that (a) a contravention of the first conduct rule has occurred; and (b) the contravention does not involve serious anti-competitive conduct, it must, before bringing proceedings in the Competition Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a notice (a “**warning notice**”) to the undertaking.

However, under section 67 of the Competition Ordinance, where a contravention of the first conduct rule has occurred and the contravention involves serious anti-competitive conduct or a contravention of the second conduct rule has occurred, the Competition Commission may, instead of bringing proceedings in the Competition Tribunal in the first instance, issue a notice (an “**infringement notice**”) to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on condition that the person makes a commitment to comply with requirements of the infringement notice. “Serious anti-competitive conduct” means any conduct that consists of any of the following or any combination of the following — (a) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (b) allocating sales, territories, customers or markets for the production or supply of goods or services; (c) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; (d) bid-rigging.

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including: imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule; disqualifying a person from acting as a director of a company or taking part in the management of

REGULATORY OVERVIEW

a company; prohibiting an entity from making or giving effect to an agreement; modifying or terminating an agreement; and requiring the payment of damages to a person who has suffered loss or damage.

LAWS AND REGULATIONS IN RELATION TO LEVY

Construction Industry Council Ordinance

According to sections 32 and 33 of the CICO, construction industry levy (the “**CIL**”) is payable by registered contractors appointed under section 9 of the Buildings Ordinance or any persons who carry out construction operations in Hong Kong to the CIC. “Construction operations” is exhaustively defined under Schedule 1 of the CICO, which includes building works and street works as defined in section 2(1) of the Buildings Ordinance, supply and installation of fittings or equipment in any buildings, or other structures forming part of land, including systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, refuse collection, water supply, fire protection, security or communications, lift or escalator and other extra low voltage works.

On and after 20 August 2012, the CIL chargeable is 0.5% of the total value of the construction operations (as defined under section 53 of the CICO) concerned (0.4% before 20 August 2012). Pursuant to section 32 of and Schedule 5 to the CICO, no CIL is chargeable for any construction operations not exceeding HK\$1,000,000.

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

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

Pursuant to section 36 of the CICO, a contractor is required to give a Notice of Completion (the “**NOC**”) in a specified form (Form 3) to the CIC within 14 days after the completion of the construction operation. It is an offence if a person without reasonable excuse fails to give the NOC and such person is liable to a fine at level 3, which is fixed at HK\$10,000.

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

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

According to section 47 of the CICO, CIL, surcharge, penalty or further penalty is recoverable by the CIC as civil debt under the jurisdiction of the District Court. The time limits for the CIC to make the assessment or imposing the surcharge under sections 42 to 45 of the CICO are, whichever is the last of the following periods:

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

Pneumoconiosis and Mesothelioma (Compensation) Ordinance and Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations

According to section 35 of the PMCO, pneumoconiosis compensation fund levy (“**PCFL**”) is imposed in respect of construction operations carried out in Hong Kong. “Construction operations” has the meaning assigned to it in section 2(1) of the CICO (please refer to the paragraph headed “Construction Industry Council Ordinance” in this section above). PCFL is rated at 0.15% of the value of the construction operations (0.25% before 20 August 2012) and not chargeable if the total value (as defined under section 39D of the PMCO) does not exceed HK\$1,000,000. Pursuant to section 39A of the PMCO, the PMCO does not apply to construction operations for domestic unit, or for the sole and principal purpose of renovation.

Pursuant to section 35(5) of the PMCO, the contractor is liable to make a payment of PCFL only if the Pneumoconiosis Compensation Fund Board (“**PCFB**”) serves a NOA. According to section 38 of the PMCO, PCFL, surcharge, penalty or further penalty is recoverable by the PCFB as debt under the jurisdiction of the District Court. According to section 39 of the PMCO, fraudulent evasion of the payment of PCFL is liable to a fine of HK\$10,000 or 20 times the amount of PCFL, whichever is greater.

Contractors are required to:

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

REGULATORY OVERVIEW

- (c) inform the PCFB the completion of the construction operations within 14 days by a NOC (Form 3). Failure to comply without reasonable excuse is liable to a fine at Level 2, which is fixed at HK\$5,000.

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

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

The time limits for the PCFB to make the assessment or imposing the surcharge under regulations 6E to 6H of the PM(C)(AL)R are, whichever is the last of the following periods:

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

OTHERS

Electricity Ordinance

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

Pursuant to Regulation 20 of the Electricity (Wiring) Regulations (Chapter 406E of the Laws of Hong Kong), owners of electrical installations shall have periodic inspection, testing and certification for the fixed electrical installations. Under Regulation 20(2), for typical industrial premises, electrical installations with an approved loading exceeding 200 amperes shall be inspected, tested and certified at least once every five years. Under Regulation 20(3), for typical residential or commercial premises, electrical installations with an approved loading exceeding 100 amperes shall be inspected, tested and certified at least once every five years. A fixed electrical installation shall be inspected, tested and certified by a registered electrical worker. According to Regulation 24, a person who contravenes Regulation 20 commits an offence, and such person is liable to a fine of HK\$10,000.

REGULATORY OVERVIEW

Buildings Ordinance

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

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

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

As confirmed by our HK Legal Adviser, our Group holds all the necessary qualifications which are required to carry on our Group's activities in respect of our E&M engineering services works in Hong Kong. Our Directors, having considered the advice from our HK Legal Adviser, confirm that, during the Track Record Period, certain systemic non-compliance incidents of our Group had occurred in connection with relevant requirements prescribed under, inter alia, the Factories and Industrial Undertakings (Safety Management) Regulation, the CICO, the PM(C)(AL)R, the Employees' Compensation Ordinance and the Stamp Duty Ordinance. For details, please refer to the section headed "Business — Non-Compliance" in this prospectus.

LAWS EXPECTED TO COME INTO FORCE WHICH MAY IMPACT OUR BUSINESS

Security of Payment Legislation for the Construction Industry

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

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

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The new legislation shall:

- prohibit “pay when paid” and similar clauses in contracts. Payers shall not be able to rely on such clauses in dispute resolution forums. “Pay when paid” refers to provisions in contracts that: (i) make payment contingent or conditional on the operation of other contract or agreement; and (ii) make payment conditional on the payer receiving payment from a third party;
- prohibit payment periods of more than 60 calendar days for interim payments, or 120 calendar days for final payments;
- enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60-day process); and
- grant to 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 shall be caught by SOPL as and when it becomes effective. In the event that such contracts are subject to SOPL, we shall ensure that their terms comply with the legislation in this regard. Since SOPL is designed to assist contractors throughout the contractual chain to ensure cash-flow and access to a swift dispute resolution process, it is generally considered that, where SOPL applies, this shall have a positive impact on ensuring that we get paid in a timely manner. On the other hand, as our turnover days of trade payables during the Track Record Period showed a reduction trend owing to a decrease in average trade payables, with the turnover days of trade payables as at 31 January 2017 being 20.2 days, our Directors consider that our payment pattern generally adheres to SOPL, and our payment practice and cash management shall not be materially affected by SOPL if and when it becomes effective. For details in this regard, please refer to the paragraph headed: “Financial Information — Net Current Asset — Trade Payables” in this prospectus.

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

HISTORY, DEVELOPMENT AND REORGANISATION

OUR HISTORY

Our history began in the 1980s. On 12 June 1987, Mr. Yung and an Independent Third Party incorporated CCCL, one of our two principal operating subsidiaries in Hong Kong. Through a number of share transfers and allotments, Mr. Yung beneficially owned the entire interest in CCCL on 11 April 2011. Since 1987, Mr. Yung has managed the business operations of our Group. In early years, our Group undertook small-scale engineering projects in Hong Kong. Our Group has expanded its E&M engineering business over the years and provided large-scale E&M engineering services to both the private and public sectors. With steady growth of his E&M engineering services business, on 3 February 2010, Mr. Yung incorporated our Group's other principal operating subsidiary, CEEL, to carry on E&M engineering services business with a focus on the private sector. Since CEEL's incorporation, Mr. Yung beneficially owned the entire interest in CEEL.

CCCL is currently included in the Specialist List under the category of "Electrical Installation (Group III)". Both CCCL and CEEL are Registered Electrical Contractors, and registered subcontractors under the trade specialties of "Electrical wiring" and "General electrical installation" with the CIC.

Mr. Yung wholly owned both CCCL and CEEL as their sole shareholder immediately before the implementation of the Reorganisation.

Development

Our Group provides E&M engineering services in Hong Kong. For further information in relation to our business, please refer to the section headed "Business" in this prospectus.

The following table summarises the key milestones during the course of development of the business of our Group:

1987	CCCL was incorporated in Hong Kong, and commenced its business as a subcontractor engaged in electrical and ELV system works.
1995	CCCL was included in the Specialist List in Group III (probation) of the "Electrical Installation" category.
1997	CCCL was confirmed as being included in the Specialist List in Group III of the "Electrical Installation" category. CCCL was awarded the ISO 9001 certificate.
2010	CEEL was incorporated in Hong Kong, and commenced its business as a subcontractor engaged in electrical and ELV system works with a focus on the private sector.
2012	CCCL first engaged in MVAC system installation works.
2015	CEEL first engaged in MVAC system installation works.

HISTORY, DEVELOPMENT AND REORGANISATION

- 2016 CCCL was awarded the Bronze Award in the Model Subcontractor Award of the 22nd Considerate Contractors Site Award Scheme by the Development Bureau and CIC jointly.
- Our Company was incorporated in the Cayman Islands as part of the Reorganisation process for the purpose of the Listing.
- 2017 CCCL was awarded the Caring Company award by The Hong Kong Council of Social Service.

CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 12 October 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares, of which one Share was issued and allotted, credited as fully paid, to an initial subscriber, who transferred the same to Superior Ace on the same date. On 23 November 2016, 9,999 Shares were issued, all credited as fully paid, and allotted to Superior Ace at a consideration of HK\$25,000,000. Following completion of the Reorganisation, our Company became the holding company of our subsidiaries, and held as to 75% by Superior Ace and as to 25% by Greatly Success.

Please refer to the paragraph headed “Reorganisation” in this section for further details about the Reorganisation.

Our Subsidiaries in the BVI and Hong Kong

CCCL

CCCL was incorporated in Hong Kong as a limited liability company on 12 June 1987 with an initial authorised share capital of HK\$1,500,000 divided into 1,500,000 shares of HK\$1 each. Upon incorporation, two shares of the said company were issued, and Mr. Yung and an Independent Third Party were each allotted one share. As aforesaid, from 11 April 2011 up to the date immediately before the Reorganisation, Mr. Yung, as the sole shareholder, held all the 5,000,000 issued shares of CCCL. As at the Latest Practicable Date, CCCL was a direct wholly-owned subsidiary of Champion Goal.

CEEL

CEEL was incorporated in Hong Kong as a limited liability company on 3 February 2010 with an authorised share capital of HK\$2,000,000 divided into 2,000,000 shares of HK\$1 each. Upon incorporation, one share of the said company was issued and allotted to Mr. Yung. From then onward, and up to the date immediately before the Reorganisation, Mr. Yung, as the sole shareholder, held the one issued share of CEEL. As at the Latest Practicable Date, CEEL was a direct wholly-owned subsidiary of Champion Goal.

HISTORY, DEVELOPMENT AND REORGANISATION

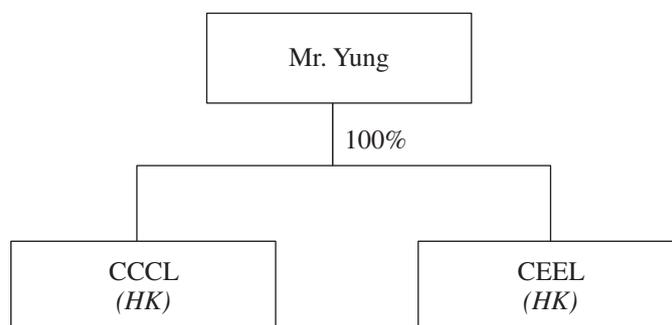
Champion Goal

In anticipation of the Reorganisation, Champion Goal was incorporated in the BVI on 21 September 2016 with limited liability and was authorised to issue a maximum of 50,000 shares of US\$1 each. On 29 September 2016, Champion Goal issued and allotted one share, credited as fully paid at par, to Superior Ace at a consideration of US\$1. On 24 November 2016, Superior Ace transferred its one share of Champion Goal to our Company at a nominal consideration. Since 24 November 2016, Champion Goal is owned as to 100% by our Company. As at the Latest Practicable Date, Champion Goal was an immediate holding company of CCCL and CEEL, and held the entire issued share capital of CCCL and CEEL.

REORGANISATION

As part of the Reorganisation, a number of share transfers had been effected. Upon completion of the Reorganisation in preparation for the Listing, our Company became the holding company of our Group on 24 November 2016.

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



In preparation for the Listing, our Group underwent the Reorganisation, the major steps of which include the following:

- (i) On 5 July 2016, Superior Ace was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of US\$1 each. On 8 August 2016, 7,500 shares in Superior Ace, all credited as fully paid, and representing 100% of the entire issued shares of Superior Ace, were issued and allotted to Mr. Yung at a consideration of US\$7,500.
- (ii) On 8 August 2016, Mr. Yung transferred all his shares in CCCL to Superior Ace for a nominal consideration.
- (iii) On 8 August 2016, Mr. Yung transferred all his share in CEEL to Superior Ace for a nominal consideration.
- (iv) On 8 August 2016, 2,500 shares of Superior Ace were issued and allotted to Mr. Ko at a consideration of HK\$15,000,000 (later increased to HK\$25 million by an additional HK\$10,000,000 pursuant to a supplemental subscription agreement dated 1 November 2016 between Mr. Ko and Superior Ace, with Mr. Yung as warrantor). The HK\$15,000,000 was

HISTORY, DEVELOPMENT AND REORGANISATION

injected into our Group on 18 August 2016, while the HK\$10,000,000 was injected into our Group on 1 November 2016. Accordingly, Superior Ace was held as to 75% by Mr. Yung and 25% by Mr. Ko as and from the said date.

- (v) On 21 September 2016, Champion Goal was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of US\$1 each. On 29 September 2016, one share in Champion Goal, credited as fully paid, and representing 100% of the entire issued shares of Champion Goal, was issued and allotted to Superior Ace at a consideration of US\$1.
- (vi) On 29 September 2016, Superior Ace transferred 5,000,000 shares in CCCL, representing 100% of the entire issued share capital of CCCL, to Champion Goal at a consideration of HK\$1. As a result, CCCL became a direct wholly-owned subsidiary of Champion Goal.
- (vii) On 29 September 2016, Superior Ace transferred one share in CEEL, representing 100% of the entire issued share capital of CEEL, to Champion Goal at a consideration of HK\$1. As a result, CEEL became a direct wholly-owned subsidiary of Champion Goal.
- (viii) On 12 October 2016, our Company was incorporated in the Cayman Islands with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, one Share was issued and allotted, credited as fully paid, to an initial subscriber, who transferred the same to Superior Ace on the same date. On 23 November 2016, 9,999 Shares were issued, all credited as fully paid, and allotted to Superior Ace at a consideration of HK\$25,000,000, consisting of the sums of HK\$15,000,000 and HK\$10,000,000 as stated in paragraph (iv) above.
- (ix) On 24 November 2016, Superior Ace transferred one share in Champion Goal, representing the entire issued shares of Champion Goal, to our Company at a consideration of HK\$1. As a result, Champion Goal became a direct wholly-owned subsidiary of our Company.
- (x) On 24 November 2016, Mr. Ko transferred 2,500 shares in Superior Ace, representing 25% of the entire issued shares of Superior Ace, to Greatly Success, whose issued share capital was held entirely by Mr. Ko, at a consideration of HK\$1.
- (xi) On 5 December 2016, Superior Ace repurchased 2,500 shares registered in the name of Greatly Success in consideration for the transfer to Greatly Success 2,500 Shares it held in our Company. As a result, Mr. Yung holds 7,500 shares (100%) of Superior Ace, and Superior Ace and Greatly Success hold 7,500 Shares (75%) and 2,500 Shares (25%) of the entire issued Shares of our Company, respectively.
- (xii) On 22 July 2017, the authorised share capital of our Company was increased from HK\$380,000, divided into 38,000,000 Shares with a par value of HK\$0.01 each, to HK\$100,000,000, divided into 10,000,000,000 Shares with a par value of HK\$0.01 each.

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

PRE-IPO INVESTMENT

Subscription Agreements

Pursuant to the terms of a subscription agreement dated 8 August 2016 and a supplemental subscription agreement dated 1 November 2016, entered into between Mr. Ko (as subscriber), Superior Ace and Mr. Yung (as warrantor) (the “**Subscription Agreement**” and “**Supplemental Subscription Agreement**” respectively, and collectively, the “**Subscription Agreements**”), Superior Ace issued and allotted a total of 2,500 shares, all credited as fully paid, to Mr. Ko at a total consideration of HK\$25,000,000. Pursuant to the terms of the Subscription Agreements, the said consideration of HK\$25,000,000 was injected into our Group in two instalments on 8 August 2016 and 1 November 2016, respectively. On 24 November 2016, Mr. Ko transferred 2,500 shares in Superior Ace, representing 25% of the entire issued shares of Superior Ace, to Greatly Success, whose issued share capital was held entirely by Mr. Ko, at a consideration of HK\$1. On 5 December 2016, Superior Ace repurchased 2,500 shares registered in the name of Greatly Success in consideration for the transfer to Greatly Success 2,500 Shares it held in our Company. As a result, Mr. Ko came to hold 2,500 Shares of our Company through Greatly Success, representing 25% of the issued share capital of our Company as and from the said date, while Superior Ace, which is wholly owned by Mr. Yung, came to hold 7,500 Shares of our Company, representing 75% of the issued share capital of our Company, as and from the said date. Details of the aforesaid share transactions are set out in the paragraph “Reorganisation” in this section above.

Description of Mr. Ko

Greatly Success

Greatly Success was incorporated in the Republic of Seychelles as a limited liability company on 17 August 2016, and is wholly owned by Mr. Ko. Other than his investment in our Company, and his appointment of Mr. Li Kar Fai Peter as a Director pursuant to the exercise of his special right under the Subscription Agreements, details of which please refer to the paragraph headed “Pre-IPO Investment — Special Rights of the Pre-IPO Investor — Board Appointment Right” in this section, Mr. Ko is independent of, and not connected with, our Directors, senior management members, other substantial Shareholders, or any of our subsidiaries, or any of their respective associates.

Mr. Ko holds a master degree of Science in Finance from the City University of Hong Kong. He is a fellow member of the HKICPA, and an associate member of the Chartered Institute of Management Accountants. Mr. Ko has been appointed as an executive director of Super Strong Holdings Limited (a company listed on GEM, stock code: 8262) in October 2016 for a term of three years. From March 2011 to May 2016, Mr. Ko was the chairman and an executive director of China Hanya Group Holdings Limited, (a company listed on GEM, stock code: 8312). Mr. Ko met Mr. Yung at a social event, during which Mr. Yung introduced our Group to Mr. Ko. Subsequently, Mr. Ko expressed an interest to invest in our Group, and was invited by Mr. Yung to conduct several visits to further understand our business. Having been attracted by the growth potential and prospects of our Group, Mr. Ko, accordingly, decided to invest in our Group through Greatly Success.

HISTORY, DEVELOPMENT AND REORGANISATION

Key Features of the Pre-IPO Investment

The following table provides a summary of the key features of the Pre-IPO Investment:

Name of the Pre-IPO Investor	Ko Chun Hay Kelvin
Date of the Subscription Agreement	8 August 2016
Date of the Supplemental Subscription Agreement	1 November 2016
Amount of total consideration paid	HK\$25 million
Completion date	1 November 2016
Basis of determination of the consideration	The consideration was determined based on arm's length negotiations between Mr. Ko and Superior Ace after taking into consideration the financial performance of the two operating subsidiaries, i.e. CCCL and CEEL.
Cost per Share paid	HK\$10,000 prior to the Capitalisation Issue, and HK\$0.22 after the completion of the Capitalisation Issue.
Discount to Offer Price (taking into account the Capitalisation Issue)	72.2% to the Offer Price of HK\$0.79 (being the mid-point of the Offer Price range stated in this prospectus).
Use of proceeds	The proceeds have not been fully utilised at this stage, but shall, in due course, be utilised to strengthen the liquidity position of our Group.
Strategic benefits to our Company	In conjunction with his investment, Mr. Ko provided capital to our Company for our Group's business.
Special rights of the Pre-IPO Investor	Mr. Ko was granted several rights to Superior Ace, all of which shall be terminated upon the Listing. Details of such special rights are set out in the paragraph headed "Special Rights of the Pre-IPO Investor" in this section. Mr. Ko was also granted a special right to appoint two Directors to our Company, which shall be terminated upon the Listing.
Number of Shares subscribed and shareholding in our Company prior to completion of the Capitalisation Issue and the Share Offer	25% 2,500 Shares

HISTORY, DEVELOPMENT AND REORGANISATION

Number of Shares held by Mr. Ko via Greatly Success and shareholding in our Company upon Listing	112,500,000 Shares
Lock-up period	There is no lock-up period for Mr. Ko after the Listing.
Exclusion in calculation of the public float	Since Mr. Ko is a core connected person, the Shares indirectly held by Mr. Ko are not considered as constituting a part of the public float for the purpose of Rule 8.24 of the Listing Rules.

Special Rights of the Pre-IPO Investor

Pursuant to the Subscription Agreements, Mr. Ko was granted the following rights in relation to Superior Ace and our Company, each of which will be automatically terminated upon the Listing:

Information and Inspection Rights

As long as Mr. Ko or any of his associates is/are the holder(s) of any share in the capital of Superior Ace, Superior Ace shall at all times:

- 1 keep true, accurate and up-to-date books and records of all the affairs of Superior Ace;
- 2 make available to Mr. Ko and his duly authorised representatives full and complete access (including copying facilities) to the books, records, accounts, documents, premises and business activities of Superior Ace;
- 3 keep Mr. Ko fully and promptly informed as to all material developments regarding Superior Ace financial and business affairs; and
- 4 promptly notify Mr. Ko of any significant litigation or arbitration affecting, or likely to affect, Superior Ace, and of any bona fide offer to purchase, or subscribe for, any share capital of Superior Ace.

Board Appointment Right

As long as Mr. Ko, or any of his associates, is/are the holder(s) of any share in the capital of Superior Ace, Mr. Ko is entitled to appoint one director to the board of directors of Superior Ace, and two Directors to our Board immediately before the Listing. Pursuant to the said entitlement before its termination, Mr. Ko has appointed Mr. Li Kar Fai Peter to our Board.

HISTORY, DEVELOPMENT AND REORGANISATION

Restrictions on Superior Ace

Superior Ace and each of the directors have covenanted with Mr. Ko that, for so long as Mr. Ko or any of his associates is/are the holder(s) of any share in the capital of Superior Ace, Superior Ace shall not, without the prior written consent of Mr. Ko:

- 1 consolidate, subdivide, purchase, redeem or cancel any of its share capital, or alter any right applying to any share or class of shares in that capital;
- 2 take, or permit the taking of, any step to have itself voluntarily wound up;
- 3 register any transfer of any share in its capital except as permitted by its memorandum and articles of association;
- 4 be a party to any scheme of arrangement;
- 5 enter into, renew or continue after expiry, any contract that is:
 - 5.1 not on bona fide arm's length terms;
 - 5.2 with any director; or
 - 5.3 substantial, long term, onerous or restrictive of its freedom to provide and take goods and services by whatever means, from and to such persons, and in such places, as it may think fit;
- 6 factor or assign any of its debts;
- 7 institute any litigation, arbitration or tribunal proceedings, other than normal debt collection in the ordinary course of business; or
- 8 surrender or accept any trading losses or other amounts eligible for relief from corporation tax.

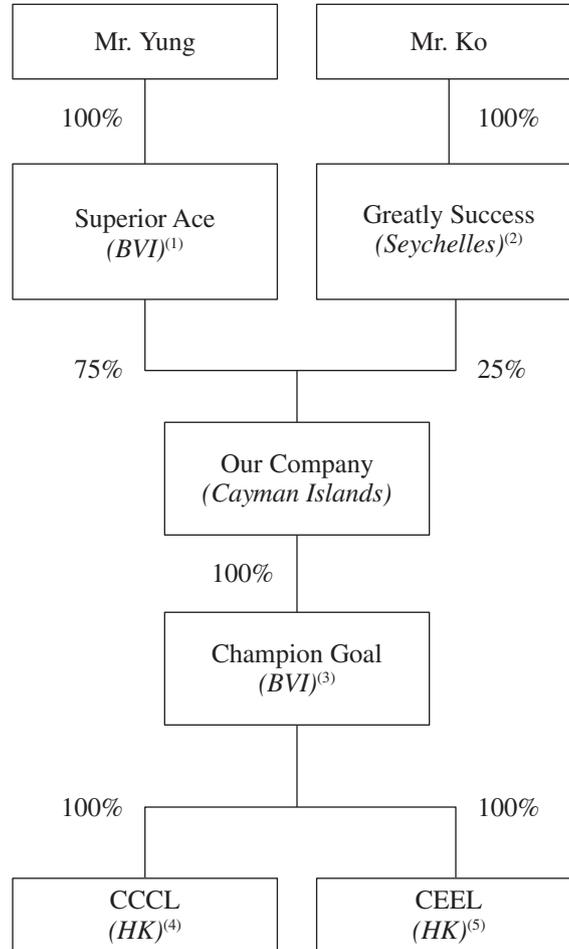
The abovementioned special rights granted to Mr. Ko in respect of Superior Ace and our Company have lapsed on 5 December 2016 (the day on which Mr. Ko ceased to have any interest in Superior Ace).

The Sole Sponsor has confirmed that the investment by the Pre-IPO Investor is in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued in October 2012 (and updated in July 2013) and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE AND SHAREHOLDING STRUCTURE

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

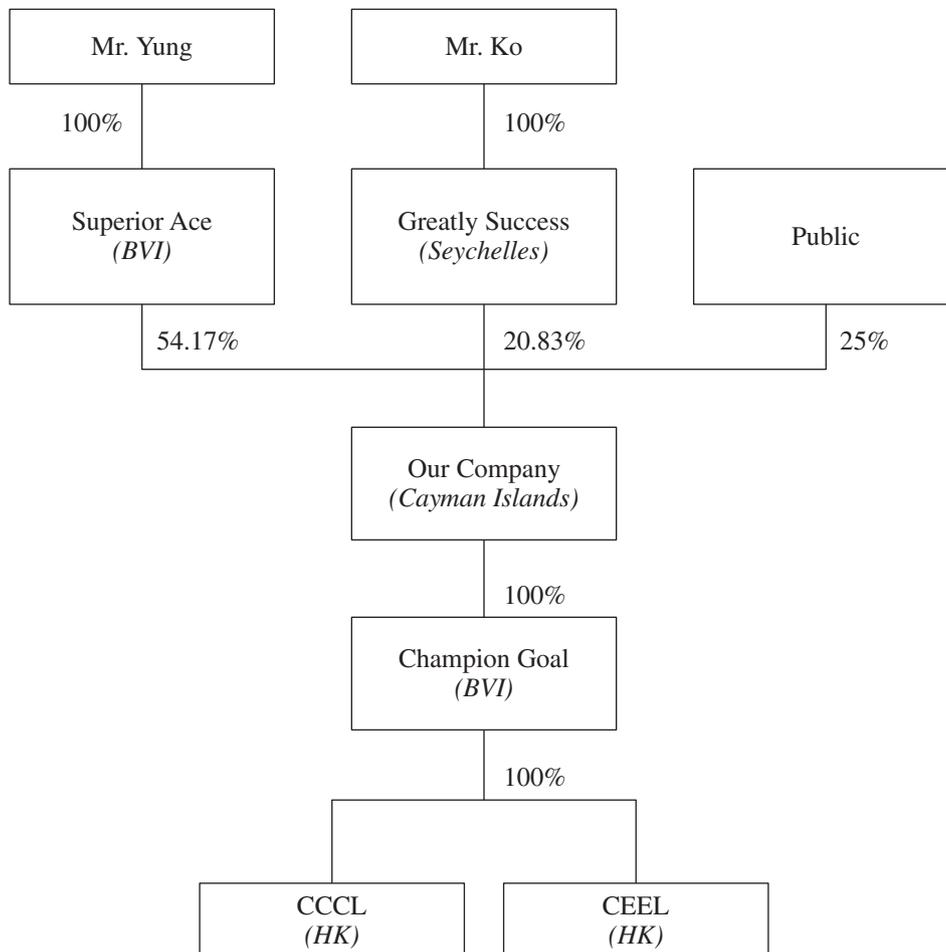


Notes:

- (1) Superior Ace is an investment holding company, and is wholly owned (as to 100%) by Mr. Yung, our executive Director.
- (2) Greatly Success is an investment holding company, and is wholly owned (as to 100%) by Mr. Ko.
- (3) Champion Goal is wholly owned (as to 100%) by our Company, and is an investment holding company.
- (4) CCCL is wholly owned (as to 100%) by Champion Goal, and carries on E&M engineering services business.
- (5) CEEL is wholly owned (as to 100%) by Champion Goal, and carries on E&M engineering services business with focus on the private sector.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets out the shareholding and corporate structure of our Group immediately following completion of the Capitalisation Issue and the Share Offer, assuming that no Shares are issued pursuant to the exercise of any options which may be granted under the Share Option Scheme:



OVERVIEW

We have been providing E&M engineering services in Hong Kong for more than 30 years, primarily focusing on electrical and ELV system works for both the private and public sectors. The electrical and ELV system works undertaken by us include supply, installation, testing and commissioning as well as maintenance of electrical and ELV system. We act as a subcontractor for installation works and a Main Contractor for maintenance works, respectively. As part of our ancillary services, we also undertake MVAC system works during the Track Record Period. While we have direct labour with specific skill sets in electrical engineering to perform on-site works, we also engage subcontractors, depending on specialty of works involved and availability of our labour resources. In 2016, we were awarded the Model Subcontract Award — Bronze Award by the Development Bureau and CIC jointly in appreciation of our outstanding work performance and the Caring Company award by The Hong Kong Council of Social Service. According to the Ipsos Report, we had a market share of approximately 2.7–3.6% in the electrical and ELV market in Hong Kong in terms of revenue in 2016.

CCCL and CEEL, our operating subsidiaries, are both currently a Registered Electrical Contractor with the EMSD and Registered Subcontractor with the CIC. CCCL is also on the Specialist List under the category of “Electrical Installation” (Group III). Therefore, CCCL generally focuses on tendering projects belonging to the public sector, while CEEL focuses on tendering projects belonging to the private sector.

During the Track Record Period, we generally secured projects through tenders and our major customers were Main Contractors and Principal E&M Contractors of the construction industry in Hong Kong. Our projects can generally be classified into public sector projects and private sector projects. Public sector projects refer to construction works commissioned by the Government, the MTR Corporation Limited, the Hospital Authority and Airport Authority, while private sector projects refer to those that are commissioned by individuals, privately-owned property development companies and commercial enterprises. Construction works commissioning departments and statutory bodies of the Government include the Development Bureau, Civil Engineering and Development Department, Drainage Services Department, Environment Protection Department, Highways Department, Architectural Services Department, Water Services Department, EMSD and Housing Authority. For FY2014, FY2015, FY2016 and 4M2017, total revenue derived from our customers amounted to approximately HK\$132.9 million, HK\$180.8 million, HK\$192.1 million and HK\$107.5 million, respectively.

We pride ourselves on our capability and expertise in undertaking hospital-related electrical and ELV system works. For FY2014, FY2015, FY2016 and 4M2017, revenue derived from the hospital-related projects accounted for approximately 92.2%, 61.9%, 70.2% and 43.8%, respectively. According to the Ipsos Report, the Government has allocated a budget of HK\$200.0 billion to a ten-year hospital development plan to provide around 5,000 additional public hospital beds and over 90 new operating theatres. During the Track Record Period, we undertook 14 hospital-related projects and details of which are set out in the paragraph headed “Engineering Projects” in this section. Our Directors are of the view that the number of hospital-related construction projects in Hong Kong will increase in the future, providing a growth opportunity for our business.

BUSINESS

In addition, according to the Ipsos Report, major infrastructure development plans pronounced by the Government such as the “Ten Major Infrastructure Projects” have created greater demand for E&M engineering services. During the Track Record Period, we undertook three projects in relation to the “Ten Major Infrastructure Projects” with an awarded sum exceeding HK\$641.7 million, the details of which are set out in Projects 18, 19 and 27 in the paragraph headed “Engineering Projects” in this section. Our Group will allocate sufficient resources and leverage on our expertise to ensure smooth completion of all projects and our Directors believe that we are capable to capture opportunities for more sizable projects in the market in the future.

BUSINESS MODEL

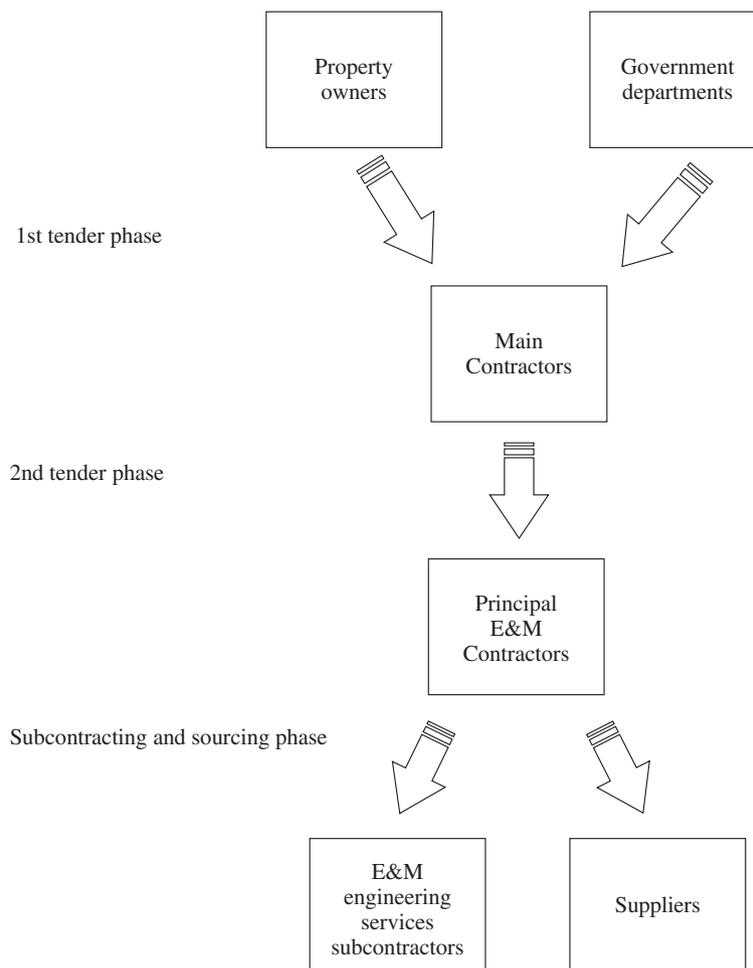
Our principal business activities are the provisions of the electrical and ELV system works. We act as a subcontractor of the Main Contractor or Principal E&M Contractor, who subcontracts the electrical and ELV system works to us. We also act as the Main Contractor for our two maintenance projects. During the Track Record Period, our Group had strategically concentrated on the hospital-related projects which we have specialised requisite technical expertise and experience to monitor the work progress and optimise the conformed design in a cost efficient manner.

Generally, we delegate works to our subcontractors by entering into separate subcontracts with them. We engage subcontractors on project works which are generally labour intensive or the subcontracted works require specific skill sets, so that we can focus on our core competencies on project management (including quality management and system testing at different stages of the project), devising detailed work programmes, procurement of materials, co-ordination with customers and their consultants, as well as quality control of works undertaken by subcontractors. This is to ensure projects undertaken by our Group meet the contractual requirements and our work is delivered to our customers in a timely manner.

To comply with requirements of our customers and subject to our available resources, there are instances where we need to employ a large pool of skilled temporary workers. In such circumstances, we will engage our existing subcontractors to provide labour management services so that we can focus on our abovementioned core competencies and minimise our administrative time and costs. We receive progress payments from our customers by reference to the site works we or our subcontractors have done, pursuant to the relevant contractual terms and conditions.

BUSINESS

The diagram below illustrates the supply chain of the E&M engineering services industry in Hong Kong:



We act as a subcontractor or Main Contractor. During FY2014, FY2015, FY2016 and 4M2017, the total revenue generated by engineering services projects undertaken by us as a subcontractor amounted to approximately HK\$130.2 million, HK\$179.1 million, HK\$191.0 million and HK\$107.0 million, respectively, representing approximately 97.9%, 99.1%, 99.4% and 99.5% of our total revenue, respectively, whereas the remaining approximately HK\$2.7 million, HK\$1.7 million, HK\$1.1 million and HK\$0.5 million, respectively, representing approximately 2.1%, 0.9%, 0.6% and 0.5% of our total revenue, respectively, was generated from the projects undertaken by us as a Main Contractor.

E&M ENGINEERING SERVICES UNDERTAKEN BY OUR GROUP

The E&M engineering services undertaken by us primarily focus on electrical and ELV system works, which include supply, installation, testing and commissioning as well as maintenance. As part of our ancillary services, we also undertake MVAC system works during the Track Record Period.

During the Track Record Period, we derived all of our revenue from engineering services projects in Hong Kong, which amounted to approximately HK\$132.9 million, HK\$180.8 million, HK\$192.1 million and HK\$107.5 million, respectively.

The following tables set forth the breakdown of our Group's revenue by sectors and types of projects during the Track Record Period:

	For the financial year ended 30 September 2014			For the financial year ended 30 September 2015			For the financial year ended 30 September 2016			For the four months ended 31 January 2016			For the four months ended 31 January 2017		
	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)
Private sector projects	11	98,740	74.3	12	110,572	61.2	12	162,008	84.3	12	35,087	83.1	7	69,295	64.5
Public sector projects	5	34,144	25.7	6	70,188	38.8	12	30,131	15.7	12	7,125	16.9	5	38,167	35.5
Total	16	132,884	100.0	18	180,760	100.0	24	192,139	100.0	24	42,212	100.0	12	107,462	100.0

Note: The number of projects refers to the number of projects which generated revenue recognised by our Group during the relevant financial period.

BUSINESS

	For the financial year ended 30 September 2014			For the financial year ended 30 September 2015			For the financial year ended 30 September 2016			For the four months ended 31 January 2016			For the four months ended 31 January 2017		
	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)	Number of projects handled (Note)	Amount HK\$'000	Percentage (%)
Hospital-related projects	8	122,584	92.2	8	111,828	61.9	12	134,870	70.2	12	25,246	59.8	6	47,079	43.8
Non hospital- related projects	8	10,300	7.8	10	68,932	38.1	12	57,269	29.8	12	16,966	40.2	6	60,383	56.2
Total	16	132,884	100.0	18	180,760	100.0	24	192,139	100.0	24	42,212	100.0	12	107,462	100.0

Note: The number of projects refers to the number of projects which generated revenue recognised by our Group during the relevant financial period.

BUSINESS

QUALIFICATIONS

We hold various qualifications in respect of our engineering works. During the Track Record Period and up to the Latest Practicable Date, we had obtained the following necessary qualifications which are material to our business operations:

Relevant authority/ organisation	Relevant list/category	Qualification	Holder	Date of grant/ registration <i>(Note 2)</i>	Expiry date	Authorised contract value
EMSD	Electrical works	Registered Electrical Contractor	CCCL	13 May 2016	23 June 2019	No limit
EMSD	Electrical works	Registered Electrical Contractor	CEEL	4 April 2016	3 May 2019	No limit
WBDB	Specialist List	Group III Electrical Installation	CCCL	1 September 1997	Not Applicable <i>(Note 1)</i>	No limit
CIC	1. Electrical — Electrical wiring 2. Electrical — General electrical installation	Registered Subcontractor	CCCL	17 June 2016	16 June 2018	No limit
CIC	1. Electrical — Electrical wiring 2. Electrical — General electrical installation	Registered Subcontractor	CEEL	28 February 2017	27 February 2019	No limit

Notes:

1. The relevant qualification is not subject to periodic renewal condition.
2. This refers to the date of grant of the latest registration.

We had not experienced any refusal of renewal of the qualifications necessary for our operations during the Track Record Period and up to the Latest Practicable Date. Save for our qualification under the Specialist List, which is not subject to periodic renewal condition, we will renew the above existing qualifications one to four months before their respective expiry dates. As advised by our HK Legal Adviser, there are no material impediments for us to renew any of our qualifications upon expiry of the same.

Though we undertook two MVAC system works projects during the Track Record Period, we had not been registered with the Buildings Department as a registered specialist contractor in the MVAC system works category. However, as advised by our HK Legal Adviser, we are allowed to carry out such

works as long as we engage a subcontractor who is duly registered with the Buildings Department as a registered specialist contractor in such category to supervise our carrying out of the MVAC system works and certify our completed works.

As confirmed by our HK Legal Adviser, so long as CCCL and CEEL are supervised and their works are certified by a specialist contractor in the relevant category, neither CCCL nor CEEL was required to be registered as a Specialist Contractor for Air-conditioning Installation and our Group holds all the necessary qualifications which are required to carry on our Group's activities in respect of our engineering works in Hong Kong.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Group have contributed to our success to date.

1. We have long operational history and good reputation in E&M engineering services

Our Group is an active E&M engineering services company with more than 30 years of operational history. We believe our long-term presence in the construction industry offers customers confidence in our capability to deliver our services in good quality in a timely manner. During the Track Record Period and up to the Latest Practicable Date, we had undertaken 27 projects in the private and public sectors with an aggregate awarded contract sum of approximately HK\$1,753 million. We also received the Model Subcontractor Award — Bronze Award in 2016 jointly awarded by the Development Bureau and CIC in appreciation of our outstanding work performance. We believe that we have a proven track record in delivering our services with good quality within the specified time frame. Our ability to satisfy our customers' requirements offers us the advantage in capturing more business opportunities in the near future.

During our years of operations, our Group has also maintained good and long-term relationship with reputable building construction/engineering firms, who are active market participants in the construction industry in Hong Kong to keep abreast of market development and potential business opportunities. In particular, we have established stable business relationship with our top five customers, ranging from one year to 20 years. For FY2014, FY2015, FY2016 and 4M2017, revenue derived from our top five customers accounted for 99.6%, 99.3%, 99.5% and 99.9% of our total revenue, respectively.

2. Our Group has extensive experience in hospital-related works

Our Group has extensive experience in hospital-related works in Hong Kong. We possess the technical expertise to monitor the work progress and develop the conformed design into practical application to achieve cost efficiency. During the Track Record Period and up to the Latest Practicable Date, we had undertaken 14 hospital-related projects in Hong Kong, the details of which are set out in the paragraph headed "Engineering Projects" in this section. According to the Ipsos Report, contractors with strong track records can prove themselves with higher ability to complete quality work in a timely manner. As such, they are more likely to be awarded with projects and key players of the industry are often usually the ones with the strongest track record. Attributed to the proven track record of our Group, we believe we are able to remain competitive and well-positioned in competing for, and securing, more hospital-related projects in the future.

3. We have well established relationship with our subcontractors and suppliers

We keep a prequalified subcontractor and supplier list. We have established long-term and stable business relationship with our subcontractors, among which five subcontractors have already had business relationship with us for over three years. Having long-term and stable working relationship with our subcontractors enable us to have comprehensive assessment of their ability and quality of works and procure stable subcontracting services, which in turns secure timely and quality services for our customers.

We also maintain good relationship with our major materials suppliers, among which, six major suppliers have already had business relationship with us for over five years. This helps us to ensure the quality of materials supplied to us and ensure that our Group would have adequate supply of materials, particularly under tight supply situation.

We believe we have enjoyed long-standing business relationship with our subcontractors and suppliers based on our reputation in the E&M engineering services industry and our practice of on-time settlement of financial obligations.

4. We have loyal, experienced and professional management

Our management team has extensive industry knowledge and project management experience in E&M engineering services. Our Managing Director has over 25 years of experience in the E&M engineering services industry. Our senior management has academic and/or professional qualifications and most of them have experience in the E&M engineering services industry for over 20 years. Please refer to the section headed “Directors, Senior Management and Staff” in this prospectus for further details of the qualifications and experience of our executive Directors and senior management.

Their qualifications and experience facilitate the formulation of competitive tenders/bids, which are crucial in securing new business for our Group, and in carrying out effective and efficient completion of project works undertaken by us. Further, with at least 15 years of experience in the construction industry of Hong Kong, our Managing Director and our senior management would be able to develop the conformed design prepared by the contract employers or their representative(s) into practical application to achieve cost efficiency and perform high quality E&M engineering services works within specified time and budget. Our performance has been recognised by the Government, as we have obtained a rating of satisfactory for public works for E&M public sector works.

Moreover, according to the Ipsos Report, labour shortage has been a common issue in the Hong Kong’s construction industry. 17 of our employees have been with our Group for more than 10 years. The loyalty of our employees is also our key advantage in times of labour shortage.

Our Directors believe that our management team’s collective expertise and knowledge of the E&M engineering services industry, together with our loyal and highly qualified employees, have been and will continue to be our Group’s valuable assets.

OUR BUSINESS STRATEGIES

Our goal is to strengthen our market position in the E&M engineering services industry and capitalise on expansion opportunities in Hong Kong with the following strategies.

Further strengthen our market position in the E&M engineering services industry

We will continue to pay attention to the E&M engineering works we used to undertake to solidify our existing market share and further expand our scale of operation in the E&M engineering services industry.

According to the Ipsos Report, the Government has allocated a budget of HK\$200.0 billion to a ten-year hospital development plan to provide around 5,000 additional public hospital beds and over 90 new operating theatres. An addition of 230 hospital beds will also be provided by the Hospital Authority by 2017. Our Group had undertaken a total of 14 hospital-related E&M engineering services contracts (both public and private hospitals) during the Track Record Period. Our Group still has six E&M engineering contracts in progress, including two contracts in a public hospital in Kowloon East which will be completed by the end of 2017. Going forward, our Directors plan to tender for more public sector projects, particularly hospital-related projects, which we have specialised requisite technical expertise and experience to monitor the work progress and optimise the conformed design in a cost efficient manner.

Our Group also plans to expand our market share in the E&M engineering services industry in Hong Kong by deploying our resources to tender for sizable and profitable E&M engineering services projects in Hong Kong. In FY2016, we were awarded a subcontract which was commissioned by the Government under one of the “Ten Major Infrastructure Projects” with an awarded contract sum exceeding HK\$500 million. The amount of revenue recognised during the Track Record Period and the amount of revenue expected to be recognised after the Track Record Period in relation to the said subcontract is approximately HK\$21.0 million and HK\$500.4 million, respectively. Our Directors believe that expanding our scale can increase our competitiveness in the pre-qualification process of our customers to attract more tender invitations and enable us to capture similar opportunity in the future.

We plan to utilise a total of HK\$39.8 million of our proceeds from the Listing to satisfy for future projects performance guarantee. For details, please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

Further strengthen our manpower

In order to increase our capacity to cope with expected business growth, we plan to recruit one senior project manager and three project managers to strengthen our project capability, and six project engineers to enhance our project implementation capability in the next three years. Trainings will also be provided to the new recruits. Please see the section headed “Future Plans and Use of Proceeds” in this prospectus for further information. We will also set aside a budget of HK\$10.0 million from the proceeds of the Share Offer for the next three years after Listing for this purpose.

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Continue to further enhance work quality and quality management system

Our Directors believe that the success of our Group relies heavily on the quality of works delivered to our customers and we shall therefore continue to focus on the quality of works and services rendered to existing customers so that they can help us to improve our brand image through positive words of mouth. We will continue to proactively manage our current customer relations, expand our customer base and enhance customer loyalty. Our Directors believe that such focus and our proactive measures will improve our competitiveness and that obtaining the ISO 9001 certification for quality management system has increased our probability in securing new contracts from our customers. Therefore, we have planned to use HK\$1.5 million from the proceeds of the Share Offer to enhance our quality management system and our measures on environmental protection, and occupational health and safety by obtaining ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety) certifications, respectively.

Enhance our information technology capabilities to improve the overall operational efficiency

We will continue to improve our overall operational efficiency. As the scale of our business grows continuously, we plan to spend a total of HK\$1.5 million from the proceeds of the Share Offer to improve our computer system and software to enhance costs estimation during tendering process and work force deployment and management of our Group and provide relevant training to our staff in next three years.

SCOPE OF BUSINESS

Our Group's principal business activity is the provision of E&M engineering services in both the private and public sectors in Hong Kong. The E&M engineering services undertaken by us are mainly related to electrical and ELV system works with ancillary service of MVAC system work.

Electrical and ELV system works

Our electrical and ELV system works include supply, installation, testing and commissioning as well as maintenance of electrical and ELV system which (i) fulfills specific technical requirements for the proper functioning of the building system in residential and commercial buildings (such as illumination, ventilation and air-conditioning systems, fire services systems, plumbing and drainage systems and lifts); and (ii) conforms to the relevant safety standards and regulations that apply in Hong Kong.

Based on the design developed by the E&M engineering services consultants engaged by the project employers, we will develop the design of an electrical system into practical application by applying our technical knowledge on the supervision and monitoring of the installation for the electrical system. The installation involves emergency generator system, low voltage main switchboard, main and sub-main distribution cables, busbar trunkings, distribution boards and final circuits, lighting system, earthing system and lightning protection system, etc. We also handle ELV system works which mainly refer to security system comprising access control, burglar alarms and closed circuit television systems and broadcast reception systems, etc. We supervise installation of electrical and ELV system in accordance with the system requirements and expected functions set out by our customers.

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We aim to provide professional E&M installation and maintenance works for both new building development and completed buildings. Our goal for every project is to meet the statutory and contractual requirements and deliver reliable, safe and energy efficient electrical installation and maintenance services to our customers.

MVAC system work

We participate in the supply, installation as well as testing and commissioning of MVAC systems as part of our ancillary services to facilitate comfortable and environmentally friendly operation of buildings based on the general specifications set out by the engineering works consultants employed by the project employers.

A ventilation system is a system which circulates fresh air throughout a confined space or spaces, while removing contaminated or stale air. An air-conditioning system provides an indoor environment for both human comfort and conditioned spaces for storing goods or equipment. In principle, we aim to offer solution for reliable, energy efficient and user friendly MVAC system installation. We also need to ensure the ventilation system installed complies with relevant standards and statutory requirements generally required in Hong Kong.

ENGINEERING PROJECTS

During the Track Record Period, we had undertaken 25 installation-related projects and two maintenance projects in both the private and public sectors. Regarding our installation-related projects, the duration of projects usually ranged from two to 57 months, depending on the size of the contract and the complexity of the works undertaken. Regarding our maintenance projects which involved the maintenance of electrical and ELV system in two hospitals with contract period ranging from 12 months and 32 months, respectively.

Projects completed during the Track Record Period and up to the Latest Practicable Date

The following table sets out the details of the projects completed by us during the Track Record Period and up to the Latest Practicable Date:

Project code	Customer	Particulars of project (Note 1)	Category	Sector	Project period (Note 2)	Awarded contract sum HK\$'000 (Note 3)	Amount of revenue
							recognised during the Track Record Period HK\$'000
Project 1	E	Shop in Causeway Bay	Non-hospital	Private	01/09/2011–04/12/2013	3,311	53
Project 3	H	Hospital in Kowloon East	Hospital	Public	19/05/2015–31/12/2015	530	848
Project 4	C	Hospital in Kowloon West*	Hospital	Public	21/09/2012–31/12/2013	137,545	15,347
Project 6	C	Hospital in Kowloon West	Hospital	Public	21/09/2012–31/12/2013	132,455	14,330
Project 7	A	Commercial Building in Central	Non-hospital	Private	06/04/2011–25/01/2016	7,164	633

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Project code	Customer	Particulars of project (Note 1)	Category	Sector	Project period (Note 2)	Awarded contract sum HK\$'000 (Note 3)	Amount of revenue
							recognised during the Track Record Period HK\$'000
Project 8	E	Commercial Building in Chek Lap Kok	Non-hospital	Private	01/08/2011–08/01/2014	16,380	915
Project 9	H	Government building in Tseung Kwan O	Non-hospital	Public	12/2015–30/4/2016	368	368
Project 10	B	Hospital in Kowloon West	Hospital	Private	23/11/2012–14/06/2016	53,800	48,941
Project 11	A	Institutional Building in Shatin	Non-hospital	Private	4/4/2011–31/10/2013	66,501	1,864
Project 12	A	Hospital in New Territories East	Hospital	Public	24/10/2013–28/02/2014	1,336	3,462
Project 13	Note 6	Hospital in New Territories West	Hospital	Public	04/04/2014–18/06/2014	237	233
Project 14	A	Hospital in New Territories West	Hospital	Private	25/03/2014–21/01/2016	12,000	12,031
Project 15	A	Hospital in New Territories West	Hospital	Private	25/03/2014–21/01/2016	145,000	145,447
Project 16	B	Government building in Yau Ma Tei	Non-hospital	Public	28/06/2013–04/01/2016	74,943	79,459
Project 17	F	Government building in Yau Ma Tei	Non-hospital	Public	04/2015–04/12/2015	1,455	1,489
Project 20	G	Hospital in Kowloon West	Hospital	Public	01/11/2014–06/2017	2,016 (Note 7)	2,072 (Note 7)
Project 21	F	Hospital in Southern District	Hospital	Private	18/11/2015–16/01/2017	114,942	120,463
Project 22	F	Hospital in Southern District	Hospital	Private	18/11/2015–16/01/2017	20,300	15,760
Project 26	A	Commercial building in North Point	Non-hospital	Private	10/09/2015–05/2017	9,800	7,338
Project 28	C	Residential building in Pok Fu Lam	Non-hospital	Private	02/12/2015–31/03/2017	11,863	12,596
Project 30	D	Hospital on Hong Kong Island	Hospital	Private	1/12/2012–31/12/2016 (Note 4)	1,808 (Note 5)	3,943 (Note 5)

Notes:

1. All projects were electrical and ELV system installation work, except MVAC system work/materials related projects which are marked with an asterisk (*).
2. Project period refers to the period from date of commencement of main contracts, or the subcontracting contracts between our customers and us, to the date of completion of our works in such project stipulated on our record, in the payment certificates or the final account issued by our customers or their authorised representative(s) or in the certificate of completion or the substantial completion certificate issued to the Main Contractor.

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3. Awarded contract sum refers to the contract value as stated in the original contract (and awarded between the parties thereto, where applicable and is subject to adjustments due to variation orders and prolongation of the project period).
4. During the Track Record Period, we entered into three maintenance contracts.
5. The contract specifies the monthly fee and that purchase orders are needed before commencement of additional works. During the Track Record Period, the amount of work certified under the contract was approximately HK\$1.3 million. Also, there were certified purchase orders amounted to approximately HK\$2.6 million recognised during the Track Record Period.
6. This customer is not on our list of top five customers.
7. The contract specifies the monthly fee and that purchase orders are needed before commencement of additional works. During the Track Record Period, the amount of work certified under the contract was approximately HK\$1.7 million with an outstanding contract sum of HK\$0.3 million expected to be recognised after the Track Record Period. Also, there were certified purchase orders amounted to approximately HK\$0.3 million recognised during the Track Record Period.

Projects in progress with contract period ending after the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract values of our projects in progress amounted to approximately HK\$944.5 million. The following table sets out brief details of such projects based on information available as at the Latest Practicable Date:

Project code	Customer	Particulars of project (Note 1)	Category	Sector	Expected project period (Note 2)	Awarded contract sum HK\$'000 (Note 3)	Amount of revenue recognised during the Track Record Period HK\$'000	Amount of revenue expected to be recognised after the Track Record Period HK\$'000
Project 18	H	Hospital in Kowloon East	Hospital	Public	01/07/2016–09/2017 (Expected)	84,200	22,518	61,682
Project 19	H	Hospital in Kowloon East	Hospital	Public	09/10/2016–09/2017 (Expected)	52,808	10,651	42,157
Project 23	C	School in Repulse Bay*	Non-hospital	Private	11/11/2015–07/2017 (Expected)	42,572	32,239	10,333
Project 25	C	School in Repulse Bay	Non-hospital	Private	11/11/2015–07/2017 (Expected)	57,480	37,627	19,853
Project 27 (Note 4)	A	Government building in Kowloon West	Non-hospital	Public	26/09/2016–01/2019 (Expected)	521,402	20,955 (Note 5)	500,447 (Note 6)
Project 29 (Note 7)	A	Government building in Ngau Tau Kok	Non-hospital	Public	22/06/2017–06/2019 (Expected)	186,000	0	186,000

Awarded project pending formal contract documents to be executed

(Note 8)	F	Government building in Kowloon West	Non-hospital	Public	09/2017–11/2018 (Expected)	190,600	687	189,913
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Notes:

1. All projects above are electrical and ELV system installation work or maintenance work-related projects, except MVAC system work/materials related projects which are marked with an asterisk (*).
2. Unless otherwise specified, expected project period refers to the period from the date of commencement of the main contracts, or the subcontracting contracts between our customers and us, to the expected date of completion of our scope of works as stipulated in the relevant contracts or communications between our customers and us.
3. Awarded contract sum refers to the contract value as stated in the original contract (and amended between the parties thereto, where applicable and is subject to adjustments due to variation orders and prolongation of the project period).
4. This project is an on-going project with the HCA Group.
5. All of the approximately HK\$21 million of revenue recognised from Project 27 during the Track Record Period had been timely received by our Group.
6. The amount of payments received by our Group for Project 27 as at 30 June 2017 was HK\$38,069,951.
7. This project is an on-going project with Hsin Chong Aster. Our Group acts as a sub-subcontractor under Hsin Chong Aster, which in turn acts as a subcontractor of the Main Contractor in this project. The Main Contractor is a joint venture formed by Co A and another listed company. In the event Customer A's ultimate holding company's financial situation deteriorates, the other partner of the joint venture (Main Contractor) will jointly and severally be responsible for the progress payment to Hsin Chong Aster and then to our Group accordingly. The progress payments from Hsin Chong Aster are independently approved by the joint venture (Main Contractor) rather than solely by Co A. Our Group received written confirmation on 17 July 2017 from Hsin Chong Aster that it gives consent to our Group in obtaining progress payment from the joint venture (Main Contractor) or the joint venture partner on its behalf, in the event that the financial situation of the ultimate holding company of the HCA Group deteriorates.
8. This project is an awarded project pending formal contract documents to be executed.

NEW CUSTOMERS OBTAINED DURING AND AFTER THE TRACK RECORD PERIOD

The following table sets out brief details of new customers obtained during the Track Record Period:

No.	New customer	The calendar year in which the customer first started to have business relationship with our Group	Number of projects obtained during the Track Record Period	Contract sum of projects obtained during the Track Record Period
1.	Customer F	2015	3	Approximately HK\$136.7 million
2.	Cusomer H	2015	2	Approximately HK\$137.0 million

Subsequent to the Track Record Period, our Group has submitted tenders for six contracts from five different customers with a total contract sum of approximately HK\$460 million. However, as at the Latest Practicable Date, our Group had not yet been awarded any new project after the Track Record

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Period due to our Group's tendering strategy of not offering a competitive price in the tender for projects commencing before October 2017 so that resources could be utilised to focus on the current on-going projects of our Group which are expected to be completed before October 2017.

Our Group is currently in negotiation with one of our major customers in relation to an engineering service contract for the supply and installation of electrical system and a deposit of approximately HK\$19.7 million had been paid to our Group by this customer in FY2016. As at the Latest Practicable Date, preliminary services had been rendered by our Group.

SALES AND MARKETING

We do not maintain a specialised team of sales and marketing staff. Instead, the marketing works are mainly conducted by our Managing Director and senior management. For instance, our Managing Director and senior management may, from time to time, engage in business or social engagements, which help us to maintain an active relationship with our customers and enhance reputation in the market. Besides, we have also assigned our staff to monitor the tender announcements published in the Government gazettes and websites from time to time.

We generally obtain new projects by way of tender invitations. Our Directors are of the views that the number and value of tender invitations and contracts awarded to us during the Track Record Period has reflected our capabilities and good relationship with our customers. Moreover, we believe that the Listing will be a breakthrough in promoting our Group to the construction industry as well as the general public in Hong Kong, thus further enhancing our brand and future business development.

Further, CCCL is on the Specialist List under the category of Electrical Installation (Group III) and often receives invitation letters for tender from the Government for minor repair work or building services installations despite that they are not our Group's main focus of services.

CUSTOMERS

Our customers are mainly Main Contractors and Principal E&M Contractors of the construction industry in Hong Kong. They contract the E&M engineering services works to us on a project-to-project basis. The Main Contractors, either engaged by the relevant Government departments in the public sector or property owners in the private sector, are normally responsible for (i) overseeing the progress of the entire construction or building renovation project; (ii) subcontracting different work tasks (such as electrical and air-conditioning installations) of the project to subcontractors; and (iii) supervising subcontractors in performing the subcontracted works. From time to time, we also enter into maintenance contracts with our customers. Our customers are normally required to make payments to us within 30 to 60 days after the monthly interim payment applications. Our trade receivables are normally settled by cheque, cashier's order or bank transfer in Hong Kong dollars.

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Our top five customers

The following table sets out the profile of our top five customers based on the ranking in respect of revenue during the Track Record Period:

FY2014

Rank	Customer	Revenue and approximate percentage to the total revenue of our Group for that year <i>HK\$'000 (%)</i>	The calendar year in which the customer first started to have business relationship with our Group	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	Background
1	HCA Group <i>(Note 1)</i>	62,752 (47.2%)	1996	E&M engineering services	Electrical & ELV engineering services	They are subsidiaries of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,997 million.
2	Customer B	38,664 (29.1%)	2013	Building construction	Electrical & ELV engineering services	It is a subsidiary of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$57,862 million.
3	Customer C <i>(Note 2)</i>	27,250 (20.5%)	2011	Building construction	Electrical & ELV engineering services & MVAC services	They are subsidiaries of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,260 million.
4	Customer D <i>(Note 3)</i>	2,735 (2.1%)	2012	Hospital services	Electrical & ELV engineering services	They are a hospital and a Catholic church.
5	Customer E	968 (0.7%)	2010	E&M engineering services	Electrical & ELV engineering services	It is a private company in the E&M engineering services industry in Hong Kong.
	Total	<u>132,369 (99.6%)</u>				

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Notes:

1. The HCA Group represents Hsin Chong Aster and other entity (Co A) which are ultimately controlled by the same shareholder. As at the Latest Practicable Date, public information indicated that the ultimate holding company of Customer A had not yet paid the half-yearly interest on its senior notes (“**Half-yearly Interest**”), which was due on 18 May 2017. The ultimate holding company of Customer A remitted funds to settle the Half-yearly Interest on 14 June 2017.
2. Customer C represents a group of entities which are ultimately controlled by the same shareholder.
3. Customer D represents a group of entities which are ultimately controlled by the same shareholder.

FY2015

Rank	Customer	Revenue and approximate percentage to the total revenue of our Group for that year <i>HK\$'000 (%)</i>	The calendar year in which the customer first started to have business relationship with our Group	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	Background
1	HCA Group	88,769 (49.1%)	1996	E&M engineering services	Electrical & ELV engineering services	They are subsidiaries of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,997 million.
2	Customer B	80,189 (44.4%)	2013	Building construction	Electrical & ELV engineering services	It is a subsidiary of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$57,862 million.
3	Customer F <i>(Note 4)</i>	6,064 (3.3%)	2015	E&M engineering services	Electrical & ELV engineering services	They are subsidiaries of a Hong Kong listed company in the E&M engineering services industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,067 million.
4	Customer C	3,561 (2.0%)	2011	Building construction	Electrical & ELV engineering services & MVAC services	They are subsidiaries of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,260 million.
5	Customer G	864 (0.5%)	2014	Hospital services	Electrical & ELV engineering services	It is a statutory body.
	Total	<u>179,447 (99.3%)</u>				

Note 4: Customer F represents a group of entities which are ultimately controlled by the same shareholder.

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FY2016

Rank	Customer	Revenue and approximate percentage to the total revenue of our Group for that year <i>HK\$'000 (%)</i>	The calendar year in which the customer first started to have business relationship with our Group	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	Background
1	Customer F	111,524 (58.0%)	2015	E&M engineering services	Electrical & ELV engineering services	They are subsidiaries of a Hong Kong listed company in the E&M engineering services industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,067 million.
2	Customer C	35,079 (18.3%)	2011	Building construction	Electrical & ELV engineering services & MVAC services	They are subsidiaries of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,260 million.
3	HCA Group	27,552 (14.3%)	1996	E&M engineering services	Electrical & ELV engineering services	They are subsidiaries of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,997 million.
4	Customer B	9,548 (5.0%)	2013	Building construction	Electrical & ELV engineering services	It is a subsidiary of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$57,862 million.
5	Customer H	7,401 (3.9%)	2015	E&M engineering services	Electrical & ELV engineering services	It is a subsidiary of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$58,166 million.
	Total	<u>191,104 (99.5%)</u>				

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4M2017

Rank	Customer	Revenue and approximate percentage to the total turnover of our Group for that year <i>HK\$'000 (%)</i>	The calendar year in which the customer first started to have business relationship with our Group	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	Background
1	Customer C	46,589 (43.4%)	2011	Building construction	Electrical & ELV engineering services & MVAC services	They are subsidiaries of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,260 million.
2	Customer H	26,475 (24.6%)	2015	E & M engineering services	Electrical & ELV engineering services	It is a subsidiary of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$58,166 million.
3	Customer F	20,811 (19.3%)	2015	E & M engineering services	Electrical & ELV engineering services	They are subsidiaries of a Hong Kong listed company in the E&M engineering services industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,067 million.
4	Customer A	13,106 (12.2%)	1996	E & M engineering services	Electrical & ELV engineering services	They are subsidiaries of a Hong Kong listed company in the construction industry. The market capitalisation of the listed company as at the Latest Practicable Date was HK\$1,997 million.
5	Customer G	425 (0.4%)	2014	Hospital services	Electrical & ELV engineering services	It is a statutory body.
	Total	<u>107,406 (99.9%)</u>				

We have not entered into any long-term master contract with any of these customers. For details of the maintenance contracts, please refer to the paragraph headed “Maintenance contracts for our customers” in this section below. Our top five customers accounted for approximately 99.6%, 99.3%, 99.5% and 99.9% of our total revenue for FY2014, FY2015, FY2016 and 4M2017, respectively. In particular, approximately 47.2%, 49.1%, 14.3% and 12.2% of our revenue in the respective periods were attributable to the HCA Group. The ultimate holding company of the HCA Group had a market capitalisation of approximately HK\$1,997.3 million as at the Latest Practicable Date. According to the latest annual results announcement of the ultimate holding company of the HCA Group for the year ended 31 December 2016 published on the website of the Stock Exchange, it recorded a revenue of approximately HK\$11,986.0 million and a net loss of approximately HK\$2,734 million (Note: the auditor of the ultimate holding company of the HCA Group did not express an audit opinion on the consolidated financial statements of the group of the ultimate holding company of the HCA Group for the year ended 31 December 2016 due to the potential interaction of the multiple uncertainties relating

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to going concern and their possible cumulative effect on the consolidated financial statements). Our Directors believe that our capabilities, proven track record and reputation in the construction industry are the major reasons for the HCA Group to engage us as its subcontractor.

Our Directors consider that the sustainability of our Group will not be affected if we lose any business from the HCA Group based on the following reasons:

- (1) according to the Ipsos Report, the E&M engineering services industry focuses on the quality of work, the timeliness of the delivery and past performances. Our Group has over 30 years of experience in the E&M engineering services industry in Hong Kong and our Directors believe that our proven track record and reputation in the construction industry would assist us in securing projects from other customers; and
- (2) our Group has a stable relationship with our major customers, with business relationship ranging from one year to 20 years. The HCA Group has had business relationship with us for 20 years. During the Track Record Period, we had also diversified our customer base by entering into contracts with new customers. Our Directors confirm that our Group has no intention to confine its business to serving only a few major customers. Our Managing Director and senior management will continue to expand our business network with prospective customers in the market as stated in the paragraph headed “Sales and marketing” in this section above.

Our Directors believe that we possess the expertise, experience and business network to locate substitute customers by tendering different construction projects in Hong Kong in order to diversify our customer base and minimise our reliance on the existing major customers. As such, our Directors are of the view that any loss of business from the HCA Group will unlikely have implications on the sustainability of the operation of our Group.

None of our Directors, their close associates or any Shareholders (who or which, to the best knowledge of our Directors, owns more than 5% of the number of issued shares as at the Latest Practicable Date) had any interest in any of our top five customers during the Track Record Period. Except for the HCA Group, who was also a subcontractor of our Group, none of our top five customers during the Track Record Period was also our supplier or subcontractor. All these top five customers are Independent Third Parties. We are not aware that during the Track Record Period, our Group experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. Save for the recent development involving the HCA Group as disclosed in this section below, our Directors further confirm that they are not aware of any of our major customers having experienced material financial difficulties that may materially affect our Group’s business.

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During the Track Record Period, we only entered into one subcontracting contract with the HCA Group and the project involved was not commissioned by Customer A. We had engaged the HCA Group as our subcontractor in Project 4 as we did not possess the necessary skills and knowledge to carry out the specialised works for that particular project. The percentage of the revenue contributed by the services rendered to the HCA Group during the Track Record Period is set out below:

Revenue contributed by the services rendered to:	Services provided by our Group:	Approximate % of the total revenue of our Group for the year ended 30 September			Approximate % of the total revenue of our Group for the four months ended 31 January	
		2014	2015	2016	2016	2017
					(unaudited)	
HCA Group	E&M engineering services	47.2%	49.1%	14.3%	13.3%	12.2%

The percentage of the costs of services rendered by the HCA Group during the Track Record Period was set out below:

Cost of services rendered by:	Services rendered to our Group:	Approximate % of the total cost of services rendered to our Group for the year ended 30 September			Approximate % of the total cost of services rendered to our Group for the four months ended 31 January	
		2014	2015	2016	2016	2017
					(unaudited)	
HCA Group	MVAC testing and commissioning	3.1%	Nil	Nil	Nil	Nil

For the projects with the HCA Group, the weighted gross profit was approximately HK\$11.3 million, HK\$16.6 million, HK\$9.8 million and HK\$1.4 million for FY2014, FY2015, FY2016 and 4M2017, respectively.

Recent development involving the HCA Group

During the Track Record Period, our Group derived a significant portion of our revenue from Customer A, which is one of our major customers. In particular, approximately 47.2%, 49.1%, 14.3% and 12.2% of our revenue in FY2014, FY2015, FY2016 and 4M2017 were attributable to the HCA Group, respectively.

As of the Latest Practicable Date, the trading in the ordinary shares and debt securities of the ultimate holding company of the HCA Group listed on the Stock Exchange has been suspended since 3 April 2017 and based on public information, the previous auditor of the ultimate holding company of the HCA Group did not express an audit opinion on the consolidated financial statements of the group of the ultimate holding company of the HCA Group for the year ended 31 December 2016 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

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Further, on 22 May 2017, an announcement issued by the ultimate holding company of Customer A indicated that it had not yet paid the half-yearly interest on its senior notes (“**Half-yearly Interest**”), which was due on 18 May 2017. The ultimate holding company of the HCA Group announced that it eventually remitted funds to settle the Half-yearly Interest on 14 June 2017.

As of the Latest Practicable Date, there were two on-going projects with the HCA Group, namely Project 27 and Project 29, the contract sums of which accounted for 62% of our Group’s on-going or awarded projects. The details of Project 27 and Project 29 are as follows:

Project 27

Our Group has timely received progress payments throughout the project period. During the Track Record Period, our Group has timely received all of the approximately HK\$21 million of revenue recognised from Project 27 and as at 30 June 2017, the total amount of payments received by our Group was HK\$38,069,951.

Since February 2017, a direct payment arrangement has been established, whereby the employer of Project 27 directly makes progress payments to our Group. On 30 June 2017, our Group has received a written confirmation from the HCA Group that the direct payment arrangement would continue until completion of Project 27. The HCA Group has confirmed that the direct payment arrangement would continue after August 2017 until completion of Project 27, and believes that the employer of Project 27 is fully aware of the continuation of the direct payment arrangement because the direct payment arrangement was initiated and proposed by the HCA Group in February 2017 and the employer of Project 27 has acceded to the request and direction of the HCA Group since then, and would continue to accede to the direct payment arrangement upon the request and direction of the HCA Group after August 2017 until completion of Project 27. Despite our Group has not entered into any written agreement with the employer of Project 27, the direct payment arrangement has commenced since February 2017 with the consent of all parties concerned. Further, the employer of Project 27 has made oral assurances to our Group that the current direct payment arrangement would continue and is to be reviewed to suit the work progress from time to time, in order that our Group could receive timely payment.

In view of the settlement of the Half-yearly Interest by the ultimate holding company of the HCA Group, the timely payments received by us during the project period and the direct payment arrangement, our Directors expect the recovery of the contract sum under Project 27 in the future is highly probable.

Project 29

As at the Latest Practicable Date, our Group had not submitted progress payment application to Hsin Chong Aster as the project had just started. This project’s Main Contractor is a joint venture formed by Co A and another listed company. Hsin Chong Aster is a subcontractor to the Main Contractor of this project, and our Group is a subcontractor of this project under Hsin Chong Aster. In the event Customer A’s ultimate holding company’s financial situation deteriorates, the other partner of the joint venture (Main Contractor) will jointly and severally be responsible for the progress payments to Hsin Chong Aster and then to our Group accordingly. Therefore, in the event that the financial situation of the ultimate holding company of the HCA Group deteriorates, our Directors expect that the recovery of the contract sum under Project 29 in the future is highly probable.

BUSINESS

In view of the settlement of the Half-yearly Interest by the ultimate holding company of the HCA Group and the circumstances as stated above, our Directors expect the recovery of the contract sum under Project 29 in the future is highly probable.

Pursuant to the terms of the subcontracts with Hsin Chong Aster, monthly/interim payment certified shall be paid within the agreed specified periods. In the event that Hsin Chong Aster defaults in payment, it will be in breach of the terms of the said subcontracts, and our Group shall be entitled to cease to perform our existing contractual obligations and claim loss and damages pursuant to our contractual rights under the subcontracts with Hsin Chong Aster.

In the event of the loss of, or non-payment by the HCA Group, our cash flows, business and financial position could be adversely affected. However, our Directors consider that such potential impacts would be limited due to the reduced reliance on the HCA Group by our Group in the most recent year (only 12.2% of our revenue in 4M2017 were attributable to the HCA Group). Further, the potential impact could be partially offset by the revenue generated by the new and/or potential projects (please refer to the paragraph headed “Future Plans and Use of Proceeds — Use of Proceeds”). Being aware of the single customer risk, our Group has also successfully developed business relationship with the other two major customers in the past years. As a matter of fact, Customer F and Customer H are our Group’s new customers, which started to have business relationship with our Group since 2015/16. The revenue of Customer F and Customer H during the Track Record Period are 0%, 3.3%, 58% and 19.4% and 0%, 0%, 3.9% and 24.6%, respectively. In addition to Customer F and Customer H, our Group has also approached a few potential new customers. Owing to the expertise in the industry and the reputation in the market, our Group has received two invitations from two potential new customers to tender on 19 May 2017 and 22 June 2017 respectively, which could be potential sources to broaden the customer base of our Group in the near future. Our Directors also believe that we possess the expertise, experience and business network to locate substitute customers by tendering different construction projects in Hong Kong in order to diversify our customer base and minimise our reliance on the existing major customers.

Our Directors and our HK Legal Adviser confirm that even if the HCA Group and/or the ultimate holding company of the HCA Group close down, there will be no impact on our Group’s continuous role to act as subcontractor to Project 27 and Project 29 until the completion of the said projects.

Pricing strategy

We determine our pricing based on a cost-plus pricing model in general with markup determined on a project-by-project basis. We estimate the price of a project with reference to the following factors:

- nature, scope and complexity of the project;
- the estimated cost of the materials required;
- the estimated number and types of workers required;
- the completion time requested by the customers; and
- location of the works.

Key contract terms with our customers

Below set out the common terms that are usually stipulated in contracts awarded to us in relation to installation work, which include the scope of work, the contract sum, the progress payments and certification, defect liability period, insurance, orders for variation, payment terms and retention money, performance bonds and liquidated damages and termination of contract.

Scope of work

The scope of services and type of works to be carried out by our Group are described and reference is made to detailed specifications and drawings annexed to the contracts. Nevertheless, the contracts usually stipulate that the scope of works described are not to be treated as exhaustive. Therefore, we need to study all relevant documents and satisfy ourselves as to the full extent and nature of works to be completed. The scope of work specified mainly belongs to electrical installation work, with a small portion of MVAC installation work.

Contract sum

The contracts usually state an agreed contract sum subject to measurements and variations. We undertake to carry out the scope of work defined in the contract in return for the agreed contract sum.

Progress payments and certification

The contracts usually entitle us to submit interim payment applications to our customers, usually on a monthly basis by reference to the works completed. In some cases, we receive payments on a pay if paid basis. The contract also sets out the monthly cut-off date and the authorised representative(s) of the customers, who is responsible to certify the amount of works done. Our customers usually arrange settlement of the payment by cheque, cashier's order or bank transfer after the authorised representative(s) has certified the value of works done. For details, please refer to the paragraph headed "Operating Procedures — Progress payment and retention money" below for details.

Defect liability period

Our contracts typically include a defect liability period, during which we are responsible for rectifying any defective works at our own expense. If the materials used are defective, we will also replace them during the defect liability period or request our suppliers, or subcontractors to do the same. The defect liability period normally takes 12 to 24 months, commencing upon the date of practical completion. Cost incurred by us to rectify defective works or products during the Track Record Period was immaterial.

Insurance

In general, pursuant to the common industry practice in Hong Kong and the contracts entered into between our customers and our Group, the Main Contractors or employers, subject to the terms of the relevant contracts, are generally responsible for purchasing the employees' compensation insurance and contractor's all risks insurance of the projects. Such insurance policies cover all works performed and labours employed by the Main Contractors and their respective subcontractors, which include us and our subcontractors.

BUSINESS

Orders for variation

Our customer or its authorised representative(s) may issue instructions ordering variation to the design, quality or quantity of the works in the course of our performance of the relevant contract. Such variation orders entitle us to receive payments on our works performed under it. The value of the variations shall be ascertained by reference to the rates and prices (if any) specified in the contracts for the like or analogous work. If there is no like or analogous works under the contract for reference or if they are not applicable, our customer will negotiate a new rate with us. The rights and obligations under the variation orders will generally be same as that under the original contract.

Payment terms and retention money

Please refer to the paragraph headed “Operating Procedures — Progress payment and retention money” below for details.

Performance bonds and liquidated damages

Depending on the requirements of the contracts, we are required to provide performance bonds issued by a bank or an insurance company, pursuant to which the bank or insurance company agrees to pay a sum of money to the customers if we fail to perform the contract. If we fail to observe the terms, conditions and specifications under the contract with the customer, the customer is entitled to seek compensation from the bank or the insurance company for financial losses incurred not exceeding the amount of the bond, and we will be required to reimburse the bank or the insurance company.

Generally, the amount of performance bond required for a project undertaken by us is subject to negotiation between parties to the contracts and generally would not exceed 10% of the total contract sum. Its validity period will generally last until the completion and acceptance of the relevant projects. The performance bond normally expires after completion of the project. As at 30 September 2014, 2015 and 2016 and 31 January 2017, the amounts of outstanding performance bonds were all approximately HK\$5.8 million. During the Track Record Period and up to the Latest Practicable Date, there had been no deduction from performance bonds by our customers.

It is also common to include in the subcontract a liquidated damages clause in relation to the delay caused by us. To provide for certain unforeseen circumstances which are beyond our control (e.g. heavy rainfall, typhoon), a clause may be included in contracts only for “extension of time” which we may use to offset liquidated damages claims arising out of possible late completion of works. In addition, a clause in relation to “extension of time” may be included for works arising out of “variation order” which are additional works beyond the scope of the original contract and performed at the request of the customer. The amount of liquidated damages payable by us is calculated on a daily basis. During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been demanded and deducted in the contract by our customers.

Termination of contracts

Our contracts can typically be terminated, inter alia, if our performance is found to be unsatisfactory, if we become insolvent, or if for any reason the main contract for the project has been terminated. During the Track Record Period, no contract had been terminated for such reasons.

BUSINESS

Maintenance contracts for our customers

Apart from installation works for electrical and ELV system and MVAC system, we also provide maintenance and repair works for electrical and ELV systems for our customers, namely Project 20 and Project 30 as referred in the paragraph headed “Engineering Projects” in this section. Key terms of the maintenance contracts are as follows:

Scope of works

The scope of maintenance services and type of maintenance works to be carried out by our Group.

Contract sum

The contract specifies the monthly fee.

Duration

The term of the contract.

Additional work orders

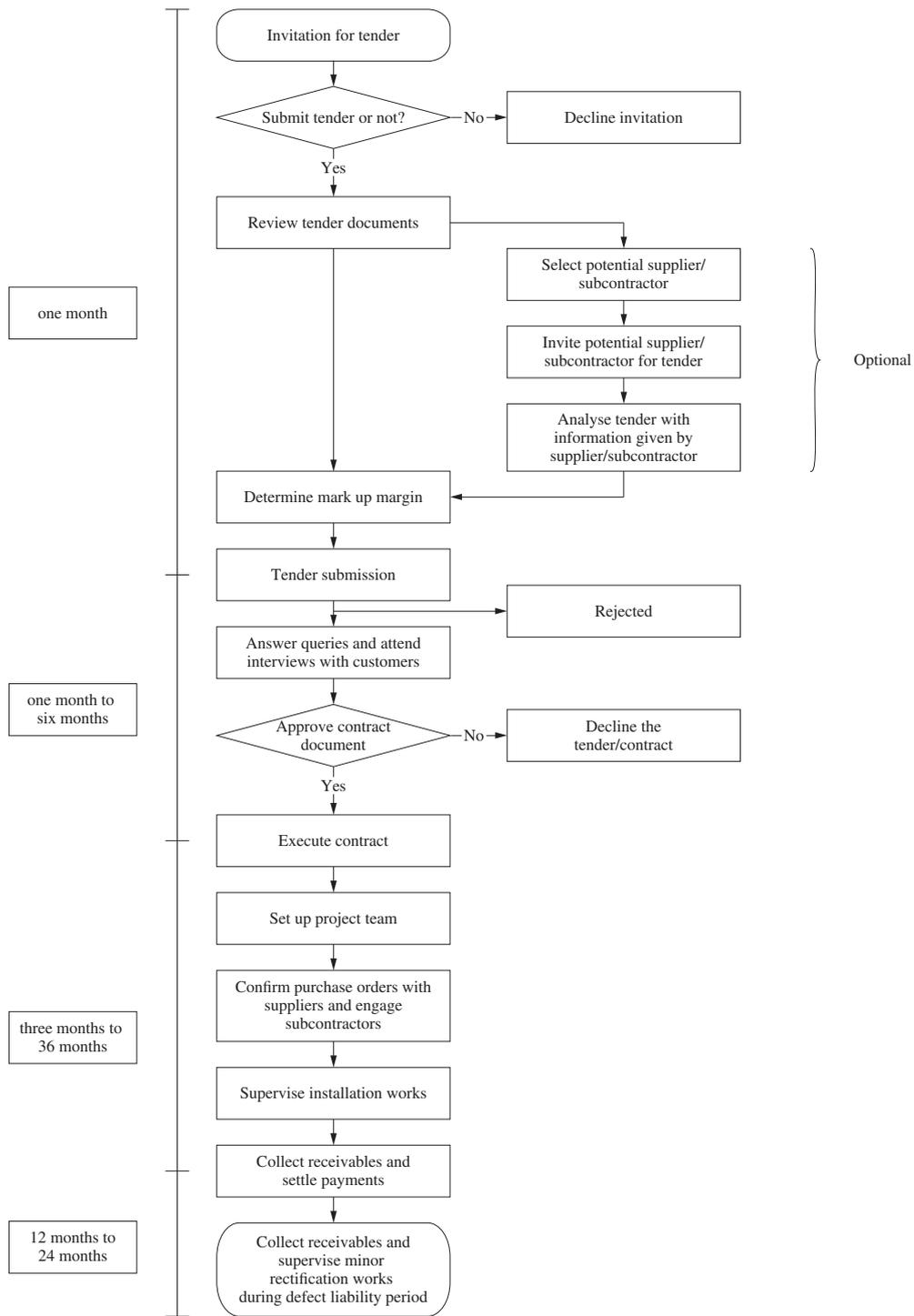
Where applicable, any additional work order to be issued by our customer is subject to the schedule of rates (on additional work order) to the contract.

OPERATING PROCEDURES

Our projects essentially concern with management of works contracts. The actual works undertaken by us and the duration of works commencing from the time of identification of a project, via tendering and award of a contract, and ultimately to its completion may vary according to the nature of the works contracts.

BUSINESS

The key steps of our project workflows are outlined as follows for illustration purpose:



Note: The timeframe is an estimation only and may vary from project to project, subject to the complexity of the projects, the requirement of the customer, and our agreement with the customer at the material time.

Identification of projects

From time to time, Main Contractors or Principal E&M Contractors may require us to prepare pre-qualification documents including financial report, job reference, organisation chart and company profile. After obtaining the preliminary specifications, our potential customers may approach us by issuing invitation letters to request for an indication of our interest to act as their subcontractors in the respective construction projects. These invitation letters generally set out brief description of the works required and the closing time and date of the tender. We will also identify projects through tender announcements published in the Government gazettes and websites. We believe that our Group is selected by the Main Contractors or Principal E&M Contractors mainly based on our Directors' connections, previous working relationship, reputation and proven track record.

Preparation and submission of tender documents

Tender review and preparation process

Upon receiving the invitations for tender, we will assess whether to submit a tender based on the following factors: (i) the scope, complexity and specification of the projects; (ii) our prevailing capacity to allocate sufficient resources and expertise; (iii) our ability to meet the designated timetable; (iv) our prior experience; (v) our current competitiveness; (vi) location of the projects; and (vii) our financial conditions and the costs of the project. If we consider the project is commercially viable, our Managing Director and members of the tendering department will proceed to prepare for the tender submission.

Our Managing Director and members of the tendering department are principally in charge of all matters related to the submission of the tenders. Our Directors believe that tender review procedure is essential to our operation because we secure most of our projects through competitive tendering, and such review procedure enables us to conduct a preliminary assessment on the initial cash flow needed for the set-up expenditures, the subsequent cash flow required and accordingly the budget for a project efficiently and accurately. Whether we are able to submit tender proposal at a competitive price with adequate profit margin to maintain our profitability depends on various factors, such as our ability to allocate manpower resources efficiently, select the appropriate subcontractors, procure cost efficient materials and estimate and stay within the budget. Tender price is important because once the tender price is fixed, we generally will have to bear any additional costs incurred.

Our Managing Director and members of the tendering department will then review the requirements stipulated in the tender documents in order to ensure that any contract requirements differing from those in the tender are resolved and that we have the capability to meet the contract requirements. Our senior management may visit the site at which the project is to be taken in order to conduct a better assessment on the complexity of works to be involved.

Our Managing Director and members of the tendering department prepare the quantity take-off setting out a breakdown of quotation by items based on the scope of works and specifications set out in the tender invitation. We estimate the project costs by considering direct labour costs, subcontracting fees and material costs. Potential suppliers or subcontractors may be selected and invited for tender. Information given by these potential suppliers or subcontractors will be used for estimations.

BUSINESS

When reviewing the tender documents, our Managing Director and members of the tendering department will, based on their experience and market knowledge, consider whether the tender is competitive in terms of pricing whilst certain level of profitability (having regard to the associated risks) can be achieved and determine mark up margin.

Upon finalising the quantity take-off and other documents required for submission, our Group will submit the tender documents to the potential customers. Our Managing Director takes the overall lead in the entire tender process and follow up with the potential customers on their requirements and the details of our tender.

It generally takes one month from receipt of requests to submission of quotation for us to prepare a tender submission. Our Managing Director will approve the tender submission before it is submitted. After the tender submission, we may have to answer inquiries or assist our potential customers in their interviews with the project employers to clarify certain particulars of our tender submission, when necessary. Time required for informing us the results of the tenders vary from project to project. According to our experience, it takes around one month to six months before we are informed of the results of the tender.

Tenders submitted during the Track Record Period

The table below sets out the number of projects tendered for and won by our Group based on our internal record during the Track Record Period by sectors and project nature:

	Total
FY2014	
Total number of projects tendered for	23
Total number of projects won (<i>Note</i>)	3
Success rate	13.0%
FY2015	
Total number of projects tendered for	28
Total number of projects won (<i>Note</i>)	5
Success rate	17.9%
FY2016	
Total number of projects tendered for	12
Total number of projects won (<i>Note</i>)	2
Success rate	16.7%
4M2017	
Total number of projects tendered for	7
Total number of projects won (<i>Note</i>)	0
Success rate	0%

Note: The total number of projects won refers to those tendered in the relevant financial period, irrespective of the date of execution.

BUSINESS

Our Group's strategy is to tender for big and complex projects, which include the large-scale design and build project works that are habitually offered by the Government and hospital-related projects. Our Directors consider that this is to take advantage of our Group's specialty, while minimising the costs involved in tendering, and such strategy also enables us to keep abreast of the latest market requirements and pricing which are useful in tendering similar projects in future. Since engineering works contracts are generally awarded on a project-by-project basis and contractors may take different pricing policies in setting their tender price, our Directors consider that there is no industry standard in relation to the success rate of tendering in the E&M engineering services industry.

There was fewer number of projects tendered and/or won in FY2016 and 4M2017, due to the facts that we had secured Project 27 and Project 29 (both are on-going projects with the HCA Group) and the awarded contract sum of them were approximately HK\$707.4 million. To ensure sufficient manpower can be deployed to complete the said projects, our Directors decided to submit fewer tenders and tenders with higher premium on other electrical and ELV system works in FY2016 and 4M2017.

Project implementation

Formation of a project management team

Once a contract is awarded, usually a project management team will be formed to administer and supervise the implementation of the project. The progress of the project will be continuously monitored by the project director to ensure that (i) the project adheres to the specifications stipulated in the awarded contracts and complies with the statutory requirements; and (ii) the progress of the work is in line with customer's schedule.

Set out below are some general duties performed by the major roles of the project team:

(a) Project Manager

The project manager is responsible for leading the project management team, supervising our overall workforce on site, monitoring work efficiency and reporting to the project director regularly on the progress and status of the project.

(b) Engineer

The engineer is responsible for management of drawing and submission, preparing documentation, submitting inspection forms and attending coordination meeting.

(c) Supervisor

The supervisor is responsible for site works, site safety, conduit designs, material estimations, meeting coordination, installation works and site works inspection.

The project management team as a whole is responsible to (i) obtain master programme from the Main Contractor after the contract is awarded and prepare the installation programme; (ii) fine-tune and finalise designs for the installation works with the design consultants; (iii) procure materials (if necessary); (iv) engage and assign works to subcontractors; (v) monitor site progress and carry out site work in accordance with the installation programme; and (vi) conduct final inspection and

commissioning to ensure work quality. For details of procurement of materials and engagement of subcontractors, please refer to the paragraphs headed “Suppliers” and “Subcontractors” in this section below. The project management team also participates in project meetings, if necessary, with our customers or subcontractors and to assess and review the progress as well as to identify and tackle any issues which may arise during the course of the installation works.

Engagement of subcontractors

During the Track Record Period, we engaged subcontractors in order to minimise the number of employees employed directly by our Group, increase labour mobility and bring about cost efficiency. The works subcontracted by us to our subcontractors are works such as installation works for electrical system, LV switchboard, generator, alarm system and nurse call system, certain works which require special expertise for which we consider more cost efficient to deploy third party service providers. The scope of works to be subcontracted by our Group can be classified into (i) labour only; and (ii) labour and materials only. Our Group may provide materials to the subcontractors to enable them to carry out the works delegated.

We oversee the carrying out of the works by our subcontractors in order to ensure the works completed are in accordance with the specifications, requirements and time-frame under the relevant contracts. With the engagement of subcontractors, we are able to focus on quality assurance and overall project management without the need for keeping a significant pool of workers under our permanent employment, which in turn allows us to deploy our resources in a more cost efficient manner. For further details on selections of subcontractors and our subcontracting arrangement, please refer to the paragraph headed “Subcontractor” in this section.

Taking out insurances

Generally, pursuant to the contract between our customers and us, the Main Contractors or employers are generally responsible for taking out the employees’ compensation insurance and contractor’s all risks insurance for the entire project. For further details of our insurance policy, please refer to the paragraph headed “Safety and Insurance — Insurance” in this section.

Inspection and defect liability period

In the course of implementation and execution of the project, our project management team, comprising our project manager and site engineers/supervisors, carries out regular quality check and inspection in order to ensure the conformity of the works performed by our engineers, technicians and subcontractors with the contractual specifications.

Our customers may signify the completion of the E&M engineering services by exchange of correspondence, i.e. a less formal procedure. Upon certifying the works have been duly completed (if so required under the contract), our customers would normally require a defect liability period during which we are responsible for rectifying engineering works defects, if any. The defect liability period is usually 12 months to 24 months from the date of exchange of said correspondence.

BUSINESS

Under the usual terms of the engineering works contracts, we are liable to rectify all defective works or materials (if any) during the defect liability period. After completion of the defect liability period, our customers or their authorised representative(s) are required to issue a certificate indicating their satisfaction to the rectification works. During the Track Record Period, we did not experience any material claim by our customers in respect of our works, and had not made provision for any repair and maintenance cost in respect of defective works.

Progress payment and retention money

We normally receive progress payment from customers on a monthly basis with reference to the value of works done.

The following table sets out a typical timeline for receipt of contract sums by our Group based on value of works done:

Milestone	Timeline
our Group sends to Main Contractor or Principal E&M Contractor application for interim payment	usually monthly during contract period
authorised representative(s) of the customer issues progress certificate	normally ranging from 14 to 21 days from the date of interim payment application
customer makes payment to our Group, after deducting the retention money	approximately within 30 to 60 days from the date of issue of payment certificate (or, as the case may be, presentation of invoice)
our Group receives half of the retention money from customer	upon the issue of correspondence to signify completion of the services
our Group receives the remaining half of the retention money from customer	upon the issue of certificate of completion of making good defect after the expiry of the defect liability period

In general, we send an interim payment application to our customers on a monthly basis with reference to the amount of works completed in the immediately preceding month. Upon submission of a monthly application by us, the authorised representative(s) of our customer will issue a payment certificate, certifying the value of works done in the immediately preceding month. It normally takes about 14 to 21 days from the date of interim payment application for such certificate to be issued. Following the issue of such certificate, our customer is generally obliged to pay our Group the amount certified less retention money. However, for certain private customers and at their request, our Group may issue a debit note or invoice based on the payment certificate issued. Payments are generally made 30 to 60 days after the issue of the progress certificate by our customer or, as the case may be, presentation of invoice. For payment made on a pay if paid basis, our customers are generally required to pay us within 14 to 45 days after their receipt of payments from their project employers.

BUSINESS

In most engineering works contracts, there is a term for customers to hold up retention money from the progress payment. The certified value retained at each stage is generally 10% of the progress payment subject to a maximum of 5% of the total contract sum. Generally, the first portion of the retention money is released after the issue of certificate of completion of the project, and the second portion of the retention money is released to us after the issue of making good defect certificate after the expiry of the defect liability period. As at 31 January 2017, unbilled retention receivables held by our customers included in amounts due from customers for contract work amounted to approximately HK\$29.0 million.

Our Group recognises engineering works contracts revenue based on the stage of completion of the respective contracts. Our customer (or its authorised representative(s)) will issue a payment certificate certifying the value of works done for the immediately preceding month. When recognising the value of works done at the end of the reporting period, the percentage of completion will be measured by the percentage of engineering works costs incurred to date as compared to the estimated total engineering works costs for the project.

Similarly, we normally pay our subcontractors on a monthly basis with reference to the percentage of the works done. We will generally release on a monthly basis to the subcontractor a certified amount within seven to 14 days after we certify the value of works done in the immediately preceding month, but we will hold up retention money. The retention money held by our Group from subcontractors is generally 10% of the monthly payment, subject to a maximum of 5% of the total contract sum. As at 31 January 2017, retention monies payable to our subcontractors held by us amounted to approximately HK\$3.7 million.

Duration of our projects

The duration of our engineering projects is subject to a number of factors, including, but not limited to, the nature of the projects, expectation of our customers, technical complexity, labour and variation of works, and thus such project duration varies widely. The expected project duration and completion time of a project is usually provided in the contract. The duration of our engineering projects completed during the Track Record Period ranged from three months to 36 months.

SUPPLIERS

Major materials used by us include conduits, cables and lighting fittings which are sourced by our Group in Hong Kong. In order to ensure the conformity of the quality of the materials with the contractual requirements, we may obtain prior approval from our customers before purchasing materials from our suppliers. Proposed materials will be approved by our customers through submission of materials specifications by our project management team prior to order.

Generally, unless customers require us to source materials from suppliers nominated by them (who will be automatically approved for that particular project), we source materials from suppliers on our prequalified subcontractor and supplier list. The contract sum of the contract include the cost of materials, except for the cost of materials provided by our customers. The amount and timing of materials to be ordered are assessed by our project manager on a project-by-project basis depending on the progress of the site work and specifications of each contract. Materials purchased by us are normally delivered by suppliers to project sites directly. We generally do not keep inventory.

BUSINESS

We generally select our suppliers based on their prices and past performances and none of our suppliers have entered into any long-term supply contracts with us. We enter into contracts for supply of materials with our suppliers after we have been awarded an engineering works contract. We then place delivery orders approximately from a few days to one month in advance depending on the types of materials to be ordered. During the Track Record Period, we had not entered into any long-term contracts with any of our suppliers. Our Directors believe that the supply of materials is stable and sufficient in the market and had not experienced any significant shortage or delay in delivery of materials by our suppliers causing disruption to our works.

We generally adopt the following key terms in a standard contract made by us with our suppliers for purchases:

1. Product: the types of materials to be provided by our suppliers and that the materials must comply with the safety standard and other requirements set out by customers;
2. Quantity: the amount of the specified materials required by our Group in that order;
3. Price: the unit price and the total price of the specified materials ordered;
4. Delivery time and location: the time and site location to where the materials should be delivered by our supplier. Since we place purchase orders for materials on a project-by-project basis and do not maintain a minimum inventory level, we generally require our suppliers to deliver the materials ordered directly to the site in accordance with our timetable; and
5. Payment terms: credit period ranging from 30 to 60 days upon delivery of the materials.

Payment terms

Our suppliers normally issue an invoice to us upon the delivery of the materials. They normally grant a credit period ranging from 30 days to 60 days to us. We mainly settle the payment by cheque or bank transfer in Hong Kong dollars.

Materials costs and our top five suppliers during the Track Record Period

We incurred approximately HK\$40.3 million, HK\$52.3 million, HK\$26.2 million and HK\$18.7 million in materials costs for FY2014, FY2015, FY2016 and 4M2017, respectively, representing approximately 36.4%, 38.4%, 18.0% and 21.5% of our total cost of sales for each of the respective financial periods. Materials costs incurred for our largest supplier (excluding our subcontractors) accounted for approximately 32.4%, 24.4%, 13.8% and 17.9% of our total materials costs for each of FY2014, FY2015, FY2016 and 4M2017, respectively, and materials costs incurred for our top five suppliers (excluding our subcontractors) accounted for approximately 59.6%, 69.7%, 49.4% and 56.3% of our total materials costs for each of FY2014, FY2015, FY2016 and 4M2017, respectively. Our Directors consider that there are sufficient suppliers of direct materials (including conduits, cables and lighting fittings) in the market. As there were about 469 suppliers on our approved list of suppliers as at the Latest Practicable Date, it is flexible for us to engage alternative suppliers.

BUSINESS

The following table sets out the profile of our top five suppliers (excluding our subcontractors) based on ranking in respect of the material costs incurred by our Group during the Track Record Period:

FY2014

Rank	Supplier	Material costs and approximate percentage to the total material costs of our Group for that year <i>HK\$'000 (%)</i>	The calendar year in which the supplier first started to have business relationship with our Group	Principal business	Materials provided
1	Supplier A	13,024 (32.4%)	2013	Manufacture of wires and cable products	Power cables
2	Supplier B	5,151 (12.8%)	2013	Design, manufacture and marketing of all-insulated type busway systems	Busways and accessories
3	Supplier C	2,267 (5.6%)	2011	Manufacture and wholesale of light products	U-channels, cable trunkings and floor trunkings
4	Supplier D	1,926 (4.8%)	2011	Supply of E&M products	Cable glands, conduit and accessories
5	Supplier E	1,626 (4.0%)	2011	Supply of E&M products	Miniature circuit breakers and mould case circuit breakers
Total		23,994 (59.6%)			

FY2015

Rank	Supplier	Material costs and approximate percentage to the total material costs of our Group for that year <i>HK\$'000 (%)</i>	The calendar year in which the supplier first started to have business relationship with our Group	Principal business	Materials provided
1	Supplier A	12,761 (24.4%)	2013	Manufacture of wires and cable products	Power cables
2	Supplier F	8,485 (16.2%)	2014	Erection of architectural superstructures	Genset and fuel oil systems
3	Supplier G	7,089 (13.6%)	2012	Design, manufacture and distribution of outdoor and indoor lighting products	Lights
4	Supplier B	5,922 (11.3%)	2013	Design, manufacture and marketing of all-insulated type busway systems	Busways and accessories
5	Supplier H	2,188 (4.2%)	2011	Supply of lighting fixtures and accessories	LED drivers and lights
Total		36,445 (69.7%)			

BUSINESS

FY2016

Rank	Supplier	Material costs and approximate percentage to the total material costs of our Group for that year <i>HK\$'000 (%)</i>	The calendar year in which the supplier first started to have business relationship with our Group	Principal business	Materials provided
1	Supplier I	3,609 (13.8%)	2015	Supply of cables and cable accessories	Cables
2	Supplier J	3,445 (13.1%)	2011	Supply of boxes and conduits (electrical fitting), and electrical accessories	Cable trunkings and trays
3	Supplier A	2,199 (8.4%)	2013	Manufacture of wires and cables products	Power cables
4	Supplier D	1,929 (7.4%)	2011	Supply of E&M products	Cable glands, conduits and accessories
5	Supplier K	1,761 (6.7%)	2011	Supply of cables and accessories	Stranded plain annealed copper conductors and mica/glass fire barrier tapes
	Total	12,943 (49.4%)			

For 4M2017

Rank	Supplier	Material costs	The calendar year in which the supplier first started to have business relationship with our Group	Principal business	Materials provided
1	Supplier L	3,347 (17.9%)	2012	Supply of electric cables	Electric cables
2	Supplier D	2,324 (12.4%)	2011	Supply of E&M products	Cable glands, conduits and accessories
3	Supplier M	1,896 (10.1%)	2012	System installation	LV switchboards
4	Supplier K	1,491 (8.0%)	2011	Supply of cables and accessories	Stranded plain annealed copper conductors and mica/glass fire barrier tapes
5	Kam Tai Product (H.K.) Co., Limited	1,478 (7.9%)	2016	Supply of cable support systems	Cable trunkings and cable trays
	Total	10,536 (56.3%)			

BUSINESS

None of our Directors, their close associates or our Shareholders (who or which, to the best knowledge of our Directors, owns more than 5% of the number of issued Shares as at the Latest Practicable Date) had any interest in any of our top five suppliers during the Track Record Period. None of our top five suppliers during the Track Record Period was also our customers. All these top five suppliers during the Track Record Period were Independent Third Parties.

INVENTORY

We did not keep inventory during the Track Record Period mainly because the materials were usually delivered by our suppliers directly to our project sites for immediate consumption.

Accordingly, the costs of materials were accounted for as an expense and included in cost of sales in the combined statements of profit or loss and other comprehensive income of our Group for the Track Record Period.

SUBCONTRACTOR

In line with the common practice of the E&M engineering services industry in Hong Kong as confirmed by our Directors, we do not maintain a large pool of long-term workforce of skilled and licensed labour nor semi-skilled labour in different specialised areas. Instead, we engage third party subcontractors to perform different parts of our contracts. Such arrangement allows us to undertake projects which are labour intensive and require specific E&M engineering services skills without incurring significant expenses on maintaining large pool of permanent employees. It also enables us to focus on quality control and overall project management and in turn allows us to deploy our resources in a more cost efficient manner.

The subcontracting works generally include installation of electrical system, LV switchboard generator, alarm system and nurse call system. If there is any type of works which requires licence that we do not have or any skills that we do not possess, that part of works would be subcontracted to our subcontractors to enhance cost efficiency on our Group.

Our subcontractors are neither our employees nor agents. Therefore, we do not have any employment arrangement with our subcontractors nor their employees. Our major subcontractors include private companies and sole proprietors, which have the required skills and manpower to perform the works subcontracted to them.

Usual terms of contracts with our subcontractors

We generally enter into subcontracting contracts with our subcontractors on a project-by-project basis. Some of the major terms found in the standard subcontracting contracts are set out below:

- scope of works and subcontracting fees, which is usually on a lump sum basis;
- duration of the subcontracting contract;

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- the payment term, which typically sets out monthly progress claim to be certified and paid by our Group within seven to 14 days after certification of work done by subcontractor, with a retention of 5% to 10% of the certified value of work done, but subject to a maximum of 5% of the awarded subcontract sum;

For subcontracting contracts in relation to specialist contractors, 5% to 10% deposit will be paid upon full approval of drawing, and progress payments will be paid to subcontractors according to contractual terms;

- rights and obligations of the parties, such as the subcontractor's obligations to meet the requirements of the Main Contractor or its authorised representative(s) and procure construction materials;
- compliance with all the safety and health legal requirements;
- defect liability period, a period of 12 to 24 months is generally required from our subcontractors;
- order for variation, in respect of which we have the right to order variation and the rate for the works under such variation order(s) shall be determined with reference to the schedule of rates as provided in the relevant subcontracting contracts;
- retention money, which we will retain, is generally 5% to 10% of the monthly payment, and is subject to a maximum of 5% of the awarded subcontract sum. 50% of the retention money would be released to the subcontractors generally upon completion of the subcontracted works and the remaining 50% of the retention money would be released upon completion of the defect liability period, subject to approval of the employer or its authorised representative(s), and our Group. The amount payable to the subcontractor is the payment amount of works of our subcontractor as reviewed by our Group;
- prohibitions from hiring illegal immigrants; and
- termination, which provides for our right to terminate the subcontracting contract if the subcontractor is in breach of the terms and conditions therein.

Criteria for selecting subcontractors

Unless our customers require us to select subcontractors nominated by them (who will be automatically approved by our management for that particular project), we adopt a stringent process in selecting subcontractors for our projects. For each type of work, we will only select subcontractors listed on the pre-qualified subcontractor and supplier list and such list has been prepared by taking into account the following factors: (i) the abilities of the subcontractors and our previous working experience with them; (ii) our assessment on the subcontractors' sufficient resources and skills to fulfill the specific requirements; (iii) the supervision skills of the subcontractors for the type of projects; and (iv) the cooperation of the subcontractors with the customer and our project management team. In any event, our Managing Director retains the authority to supersede the acceptance criteria for approving subcontractor.

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During the Track Record Period, we had not experienced any material difficulties or delays in completing our project caused by the failure to identify and engage appropriate subcontractors. Our Directors also confirm that, during the same period, we did not have any material disputes with our subcontractors.

Our top five subcontractors during the Track Record Period

The subcontracting fees incurred by us amounted to approximately HK\$51.3 million, HK\$61.7 million, HK\$93.6 million and HK\$55.4 million for FY2014, FY2015, FY2016 and 4M2017, respectively, representing approximately 46.3%, 45.4%, 64.4% and 63.6% of our total cost of sales for each of the respective periods. Subcontracting fees attributable to our largest subcontractor accounted for approximately 33.0%, 27.5%, 48.0% and 29.6% of our total subcontracting fees for each of FY2014, FY2015, FY2016 and 4M2017, respectively, while our top five subcontractors accounted for approximately 74.6%, 68.3%, 86.9% and 85.3% of our total subcontracting fees for each of the corresponding periods.

The following table sets out the profile of our top five subcontractors based on the ranking in respect of the subcontracting fees incurred by our Group during the Track Record Period:

For FY2014

Rank	Subcontractor	Value of subcontracting works performed and approximate percentage to the total subcontracting fees <i>HK\$'000 (%)</i>	The calendar year in which the subcontractor first started to have business relationship with our Group	Services provided
1	Subcontractor A	16,904 (33.0%)	2013	System installation
2	Subcontractor B	7,320 (14.3%)	2013	System installation
3	Subcontractor C	6,786 (13.2%)	2012	System installation
4	Subcontractor D	4,164 (8.1%)	2013	Sale and installation of emergency generator system
5	Subcontractor E	<u>3,079 (6.0%)</u>	2014	System installation
	Total	<u><u>38,253 (74.6%)</u></u>		

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For FY2015

Rank	Subcontractor	Value of subcontracting works performed and approximate percentage to the total subcontracting fees <i>HK\$'000 (%)</i>	The calendar year in which the subcontractor first started to have business relationship with our Group	Services provided
1	Subcontractor A	16,993 (27.5%)	2013	System installation
2	Subcontractor F	12,465 (20.2%)	2014	System installation
3	Subcontractor G	4,589 (7.4%)	2014	System installation
4	Subcontractor H	4,103 (6.7%)	2013	Sale and installation of uninterrupted power supply system
5	Subcontractor E	<u>4,031 (6.5%)</u>	2014	System installation
	Total	<u><u>42,181 (68.3%)</u></u>		

For FY2016

Rank	Subcontractor	Value of subcontracting works performed and approximate percentage to the total subcontracting fees <i>HK\$'000 (%)</i>	The calendar year in which the subcontractor first started to have business relationship with our Group	Services provided
1	Subcontractor A	44,900 (48.0%)	2013	System installation
2	Subcontractor F	13,485 (14.4%)	2014	System installation
3	Subcontractor I	10,558 (11.3%)	2016	System installation
4	Subcontractor J	8,038 (8.6%)	2015	System installation
5	Subcontractor G	<u>4,350 (4.6%)</u>	2014	System installation
	Total	<u><u>81,331 (86.9%)</u></u>		

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For 4M2017

Rank	Sub-contractor	Value of subcontracting works performed and approximate percentage to the total subcontracting fees <i>HK\$'000 (%)</i>	The calendar year in which the subcontractor first started to have business relationship with our Group	Services provided
1	Subcontractor F	16,421 (29.6%)	2014	System installation
2	Subcontractor J	12,625 (22.8%)	2015	System installation
3	Subcontractor A	6,694 (12.1%)	2013	System installation
4	Subcontractor E	6,165 (11.1%)	2014	System installation
5	Subcontractor I	<u>5,385 (9.7%)</u>	2016	System installation
	Total	<u><u>47,290 (85.3%)</u></u>		

None of our Directors, their close associates or our Shareholders (who or which, to the best knowledge of our Directors owns more than 5% of the number issued Shares as at the Latest Practicable Date) had any interest in any of our top five subcontractors during the Track Record Period. None of our top five subcontractors during the Track Record Period was also our customers. All these top five subcontractors during the Track Record Period were Independent Third Parties.

CREDIT POLICY

After entering into a formal contract, we will closely monitor the payments from our customers pursuant to the terms of the contract. We submit payment application for interim payment to the customer on a monthly basis in respect of the value of work performed by us in the immediately preceding month. The applications generally include the description and percentage of the works done. Our customers or its authorised representatives (as the case may be) will then perform inspection and certify the value of works done. The interim certificate is usually issued by our customers or its authorised representatives (as the case may be) within 14 to 21 days after the date of interim payment application. Settlement is monitored by our accounts department. For outstanding balances overdue, our management and project team will be alerted and take appropriate follow up action.

For engineering works, credit terms given to our customers are generally set out in the relevant contract. Generally, payment is due about 30 to 60 days after the issue of the payment certificate by our customers or its authorised representatives or the invoice date of the relevant contract revenue (as the case may be). Settlement is normally made in cheque, cashier's order and bank transfer. As at 30 September 2014, 2015, 2016 and 31 January 2017, our trade receivables were approximately HK\$40.8 million, HK\$12.0 million, HK\$17.0 million and HK\$19.2 million, respectively. The number of trade receivable turnover days was approximately 70.6 days, 53.4 days, 27.6 days and 20.7 days for FY2014, FY2015, FY2016 and 4M2017, respectively.

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We did not make any allowance for doubtful debts during the Track Record Period. Our Directors may determine specific allowance for doubtful debts on a case-by-case basis. Factors taken into account for such purpose include length of business relationship, past reputation, financial strength and repayment history of the relevant customers.

QUALITY CONTROL

Our Directors believe that our financial results and hence our profits depend on our ability to meet our customers' requirements. We place strong emphasis on quality control as it would assure completing works to meet our customer's requirements, and it is also crucial for building safety, job reference and future business opportunities.

We have established formal quality management system in accordance with the requirements of ISO 9001 standards, by which we develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term and project based approach. The quality management system of CCCL, which is applicable to design, supply, installation and maintenance of "low voltage electrical system", was certified to comply with ISO 9001 quality management system standard by ACIL. The validity of such ISO 9001 certification is subject to the continuing satisfactory operation of our management system and surveillance audits.

Our project management team is responsible for the quality control of each project, but the composition of which is subject to the project nature. Our project managers are responsible for monitoring progress and quality of works and ensuring that works are completed according to schedule. Our project director also closely monitors the progress of each project to ensure that the works (i) meet our customers' requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant regulations and codes applicable to the works.

With regard to materials, unless our customers require us to order from designated suppliers, we generally procure materials from our prequalified subcontractor and supplier list.

Our customers also carry out supervision on our installation works at various stages of the project. Other quality control measures under our quality management system include:

- quality objectives are set and constantly reviewed after taking into account complaints, compliments and feedback from customers and subcontractors;
- a project quality plan, which sets out the way a task or process to be commenced, is prepared by the project manager; and
- audit on the quality management system is performed on an annual basis for the purpose of assessing the extent to which the quality objectives have been achieved and ascertaining the degree of compliance with ISO 9001 standard for quality management.

During the Track Record Period, there were no material disputes between our customers and us in respect of the quality of the works performed by us and/or our subcontractors.

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CERTIFICATION AND AWARDS

The following table sets out the certification received by us in relation to our quality management system:

Year of grant	Period of validity	Certification/award	Recipient	Awarding organisation/entity
1997	Up to 26 March 2018	ISO 9001 (<i>Note</i>)	CCCL	ACIL
2016	Not applicable	Model Subcontractor Award — Bronze Award	CCCL	Development Bureau and CIC

Note: ISO 9001 represents the Quality Management System of the design, supply, installation and maintenance of “low voltage electrical system” as defined in the Electricity Ordinance.

Our Directors believe that the above certification and award could boost our corporate image and enhance our existing and potential customers’ confidence towards our quality of work and services.

ENVIRONMENT

Our business is subject to the applicable laws and regulations in relation to environmental protection. Please refer to the section headed “Regulatory Overview” in this prospectus for further information about such laws and regulations.

We are committed to minimisation of any adverse impact on the environment resulting from our business activities to fulfill our responsibilities to the community, our customers, which are environmentally conscious, as well as the global and local environment.

Generally speaking, the hours for our operation are from 7:00 a.m. to 7:00 p.m., Monday to Saturday. Works are not permitted on general public holidays unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliance or violations on applicable environmental laws and regulations.

SAFETY AND INSURANCE

Health and work safety

For construction projects, Main Contractors generally establish a set of safety plan for their work sites and require all their subcontractors, including us and our subcontractors, to comply with the on-site safety plans. The safety officers of the Main Contractors also play a role relating to health and safety at project sites. They are responsible for (i) preparing and submitting investigation report of any occupational accident happened at project site to the project employer and the Labour Department; (ii) carrying out safety audit and improving safety measures, when necessary, to avoid similar occupational accident in future; and (iii) updating Main Contractor’s accident rate. The investigation report for the occupational accident contains the following information: (a) details of the accidents; (b) colour photo

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taken at the accident scene; (c) injured person's safety training record; (d) employment contract of the injured person; and (e) palm machine record or attendance record (as the case may be) of injured stating his average working days per month.

We have adopted the safety plan provided by the Main Contractors, which is defined in writings and supplemented with instructions. We have also appointed our own registered safety officer and qualified safety supervisors to ensure our staff and subcontractors' employees to adhere to the safety plan. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce risks relating to health and safety. In addition, we have also set up a safety management system since August 2016 to promote safe working practices among employees and to prevent common accidents from project sites.

When there is an occurrence of an accident or personal injuries, our frontline supervisor will report it to the department head as well as our safety department. The safety officer will also carry out full investigation to find out the causes and record the same in the investigation report. The following information shall be recorded in the investigation report: (i) details of the injured person; (ii) details of the incident; (iii) the direct cause of incident; (iv) the underlying causes such as failure in safe work procedures or in systems; (v) immediate management response; and (vi) recommendation and long term preventive measures.

Our Group also keeps an incident register. The register includes number of incidents contributed by different activities, types and numbers of injuries occurred to different body parts and calculation of accident frequency rate and accident severity rate.

To improve the safety standard of the projects undertaken by our Group, we have adopted or reinforced the following measures:

1. our safety supervisors communicate closely with the Main Contractors in order to deliver updates on safety issues to our employees and our subcontractors;
2. the Main Contractors and us hold regular meetings on safety to identify and tackle key safety issues;
3. our safety supervisors are responsible for monitoring work safety and reporting to the Main Contractors, if any safety issues are noted;
4. our project directors carry out site visits once a week to ensure strict compliance with statutory occupational health and safety laws, rules and regulations; and
5. we organize one-day induction safety briefing sessions for workers, including subcontractors' employees on their first day of work.

Due to the nature of works in the E&M engineering services industry, risks of accidents or injuries to workers are inherent. Although our Group has implemented Main Contractor's safety plan and adopted our own safety management system to mitigate such safety risks, the occurrence of accidents to workers at project sites cannot be completely eliminated. For FY2014, FY2015, FY2016 and 4M2017, we recorded 0, 2, 1 and 0 work injuries, respectively. Two of them involved subcontractors' employees and one of them was employee of CEEL and all were settled by mutual agreement.

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We have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business. As such, these incidents did not and are not expected to have a material impact on our Group's operations nor financial performance. For further details of our insurance policies, please refer to the paragraph headed "Safety and Insurance — Insurance" below in this section.

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

	In construction industry <i>(Note 1)</i>	Our Group's project sites <i>(Note 2)</i>
Calendar year 2013		
Accident rate per 1,000 workers	40.8	10.64
Fatality rate per 1,000 workers	0.277	0
Calendar year 2014		
Accident rate per 1,000 workers	41.9	0
Fatality rate per 1,000 workers	0.242	0
Calendar year 2015		
Accident rate per 1,000 workers	39.1	19.66
Fatality rate per 1,000 workers	0.2	0
Calendar year 2016		
Accident rate per 1,000 workers	N/A <i>(Note 3)</i>	6.29
Fatality rate per 1,000 workers	N/A <i>(Note 3)</i>	0

Notes:

1. The figures extracted from the Occupational Safety and Health Statistics Bulletins Issue No. 14 (July 2014), Issue No. 15 (August 2015) and Issue No. 16 (August 2016) by the Occupational Safety and Health Branch of the Labour Department.
2. Our Group's rates are calculated with reference to the number of injuries divided by the daily average site workers in our Group's project sites during the period and multiply the result by 1,000. The daily average site workers consisted of employees of our Group and that of our subcontractors.
3. Relevant data had not been published as at the Latest Practicable Date.

Having considered that our accident rates per 1,000 workers are lower than the industry average of approximately 40.8 in the calendar year 2013, lower than the industry average of approximately 41.9 in the calendar year 2014 and lower than the industry average of approximately 39.1 in the calendar year 2015, our Directors are of the view that we had implemented sufficient safety measures during the Track Record Period. Further details of the occupational accidents are set out in the paragraph headed "Litigation and possible claims" in this section.

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

Calendar year 2013	536
Calendar year 2014	0
Calendar year 2015	2,678
Calendar year 2016	2,615

Note: 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 multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant financial year/period by 1,000,000 and then divided by the number of hours worked by our construction site workers over the same period, assuming that the working hour of each worker is 10 hours per day.

Our Group will continue to deploy adequate resources and make an effort to maintain and enhance our safety management policy in order to mitigate our risks relating to safety issues.

Insurance

It is a practice in the E&M engineering services industry in Hong Kong, as well as a term of most E&M engineering services contracts between Main Contractors and customers, that the Main Contractor of a project will take out and maintain employees' compensation insurance and contractor's all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the Main Contractor and all its subcontractors. However, the subcontractors are generally required to maintain insurance over their own machineries.

During the Track Record Period and up to the Latest Practicable Date, all projects undertaken by us and the relevant employees were respectively protected by contractors' all risks and employees' compensation insurances. Save for maintenance projects, we generally will not take out separate insurance policies but will rely on the insurance policies taken out and maintained by the relevant Main Contractor. The reliance of us on the Main Contractors' insurance policies is generally explicitly provided for in the relevant subcontracting contracts between our subcontractors and us.

Contractor's all risks insurance taken out by Main Contractors generally covers:

- loss of or damage to the permanent and temporary works constructed and erected or in the course of engineering works or erection in performance of the engineering works contract and all other property for which we and/or the subcontractors are responsible under the engineering works contract whilst on site, excluding constructional plant and temporary buildings. The amount of coverage equals to the contract sum under the relevant engineering works contract;
- costs and expenses necessarily incurred by us and/or the subcontractors with the consent of the insurance company in dismantling and removing debris of the portion or portions of the destroyed or damaged property as insured; and
- loss of or damage to physical property of third parties, or accidental death, bodily injury, illness or disease suffered by any third parties arising out from the performance of works by us and/or the subcontractors.

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Having said that, we are also required to take out separate insurance policies under the following circumstances: (i) when we sign contracts directly with property owners for maintenance projects in which case our Group will take out and maintain employees' compensation insurance and contractors' all risks insurance; and (ii) it is specifically provided in the contracts requiring our Group to take out separate insurance policies.

Further, we are also required by the relevant laws and regulations of Hong Kong to maintain basic insurance for employees who work at our office. Our Group has insurance cover for the liabilities under employee compensation and personal injury claims, which meets the statutory minimum insurance coverage of HK\$100.0 million per incident. Our Group considers such insurance coverage is generally sufficient for its liabilities under employees' compensation claims and personal injuries actions. We have also maintained office protection insurance which cover loss of and damage to office contents in our office.

In other words, save for vehicle damage and accidents took place at our office, which are covered by insurance maintained by our Group, project works undertaken by us, the relevant construction site employees and our subcontractors are generally respectively protected by the insurance maintained by the Main Contractors or the employers, subject to terms of the relevant contracts. For FY2014, FY2015, FY2016 and 4M2017, the total insurance expenses incurred by us amounted to approximately HK\$30,000, HK\$112,000, HK\$76,000 and HK\$80,000, respectively. Taking into account the industry practice and the insurances taken out by our Group as stated above, our Directors believe that we had obtained adequate insurance coverage for the operation of our business during the Track Record Period and up to the Latest Practicable Date. Apart from the outstanding claim in respect of an employee's injuries took place on 5 February 2013, details of which please refer to the paragraph headed "Litigation and Potential Claims" in this section, our Directors confirm that no material claims had been made in respect of any of our insurance policies during the Track Record Period and up to the Latest Practicable Date.

SOCIAL RESPONSIBILITY

We are committed to be a socially responsible corporation and dedicated to develop and implement sustainable and good corporate policies in areas including environmental protection, staff management and development as well as occupational health and safety. During the Track Record Period, we had made donations amounting to an aggregate of approximately HK\$0.5 million to sponsor charitable activities and to various charitable organisations.

SEASONALITY

Given the project-based nature of our business, our Directors believe that there exists no significant seasonal trends in our business during the Track Record Period and the E&M engineering services industry in Hong Kong does not exhibit any significant seasonality.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, our Group did not engage in any research and development activity.

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INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered two domain names and two trademarks in Hong Kong. Detailed information of our intellectual property rights is set out in the section headed “Further information about our business — Our intellectual property rights” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not involved in any proceedings with regard to, and we had not received notice of any claims of, infringement of any intellectual property rights that might be threatened or pending in which we might be involved either as a claimant or respondent.

EMPLOYEES

As at the Latest Practicable Date, we had 258 full-time employees who were directly employed by our Group in Hong Kong. A breakdown of our employees by function as at the same date is set forth below:

	As at the Latest Practicable Date
Board of Directors (<i>Note 1</i>)	2
Project department	65
Human resources and administrative department	3
Finance and accounting department (<i>Note 1</i>)	4
Workers (<i>Note 2</i>)	<u>184</u>
Total	<u><u>258</u></u>

Notes:

1. Mr. Li Kar Fai Peter is our executive Director and the Finance Director of our Group, however, he was not grouped to the finance and accounting department in the above breakdown table.
2. Principally for Projects 18 and 19.

According to the Ipsos Report, the average daily wage of workers engaging in the E&M engineering services industry in Hong Kong increased from 2011 to 2016, at a CAGR of about 8.5%. The increase was partially due to the introduction of the statutory minimum wage under the Minimum Wage Ordinance, Chapter 608 of the Laws of Hong Kong, which came to force in 2011 and its subsequent upward revision in 2013, 2015 and 2017, respectively, as well as to the shortage of supply of skilled workers in the construction industry in Hong Kong.

Our ability to recruit and retain experienced and skilled labour plays an important role in sustaining our business development and growth. The remuneration package offered to our employees includes basic salaries, allowances, mandatory provident fund and discretionary bonuses. The basic salaries are generally determined with reference to the rank, position, qualification, experience and performance of each employee. The discretionary bonuses are paid on an annual basis, subject to the performance of the individual employee and the profit of our Group in the immediately preceding financial year. Therefore, our staff-related costs primarily include basic salaries, allowances,

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discretionary bonuses, contribution to mandatory provident fund and directors' remuneration. For FY2014, FY2015, FY2016 and 4M2017, our wages were approximately HK\$20.8 million, HK\$25.4 million, HK\$28.2 million and HK\$14.2 million, respectively, which were charged to our cost of sales and administrative expenses. We have also adopted the Share Option Scheme which will become effective upon Listing. The Share Option Scheme is designed to provide incentives and rewards to our employees.

We believe that our employees are valuable assets to our operations. New joiners are usually placed on probation for three months. Subject to review at the end of the probation period, successful new joiners will be employed as full-time employees. We also encourage our employees to attend training programs and to attain professional certifications or registrations. We will also provide appropriate assistance to suit their educational needs so as to enhance their skill sets at work as well as to promote health and safety at work sites. We believe these measures promote our employees' overall efficiency and loyalty to our Group and at the same time serve as a means to retain quality employees.

During the Track Record Period, we had not experienced any significant difficulties in recruiting employees, and had not experienced any significant staff or labour disputes. Our Directors consider that the management policies, working environment, career prospects and benefits extended to our employees are key factors in establishing amicable and healthy relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, no incident of work stoppage or labour shortage which adversely affected our operations had taken place and no labour union had been established by our employees.

PROPERTIES

As at the Latest Practicable Date, our Group owned two properties in Hong Kong.

Location	Gross floor area of unit and podium roof <i>(in approximate sq. ft.)</i>	Usage
Unit 5 with podium roof, 2/F, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong (“Unit 5”)	1,410 and 470	workshop, godown and ancillary office
Car Parking Space No. P98 on 1st Floor of La Cite Noble, No. 1 Ngan O Road, Tseung Kwan O, Sai Kung, New Territories	Not applicable	parking

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Cocklofts had been erected in Unit 5 without the prior formal approval of the relevant Government authorities. Unit 5 had made no contribution to our revenue during the Track Record Period. For details of the non-compliance regarding the cocklofts, please refer to the paragraph headed “Non-compliance” in this section below.

We do not engage in any property activities as defined in Rule 5.01A(2) of the Listing Rules. As at the Latest Practicable Date, no single property interest owned by us had a carrying amount of 15% or more of our total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Cap. 32 Companies (WUMP) Ordinance with respect to the requirement of the inclusion of a property valuation report in this prospectus.

As at the Latest Practicable Date we had leased/licenced 8 properties located in Hong Kong with a current annual rental of approximately HK\$1.2 million, details of which are set out below:

Address	Landlord	Approximate gross floor area	Usage	Rental/ Licence fee	Term
Unit 16A, 16th Floor, Regency Centre Phase II, No. 43 Wong Chuk Hang Road, Hong Kong	Independent Third Party	1,046	Workshop	Monthly rental of HK\$25,650	1 year ending 6 August 2017
Flat 3, 24th Floor, Block D, Po Sing Centre, Kwai Chung, N.T., Hong Kong	Independent Third Party	368	Staff quarter	Monthly rental of HK\$10,500	2 years ending 31 July 2017
Factory Unit D2 on 1st Floor and flat roof, Yally Industrial Building, No. 6 Yip Fat Street, Hong Kong (“Unit D2”) <i>(Note)</i>	Independent Third Party	260	Workshop	Monthly rental of HK\$4,500	2 years ending 31 August 2017
Car Parking Space No. 339, B2, Belvedere Garden Phase 3, Tsuen Wan, Hong Kong	Independent Third Party	Not applicable	Car park	Monthly rental of HK\$2,700	1 year ending 8 September 2017
Office B, 7/F, TLP132, Nos. 132–134, Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	Independent Third Party	1,708	Office	Monthly rental of HK\$36,211	1 year ending 8 December 2017
D101, Yally Industrial Building, No. 6 Yip Fat Street, Wong Chuk Hang, Hong Kong (“Unit D101”) <i>(Note)</i>	Independent Third Party	260	Workshop	Monthly rental of HK\$4,500	2 years ending 28 February 2018

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Address	Landlord	Approximate gross floor area	Usage	Rental/ Licence fee	Term
Factory E2, 13th Floor, Shui Wing Industrial Building, Nos. 12–22 Tai Yuen Street, Kwai Chung, New Territories, Hong Kong	Independent Third Party	848	Warehouse/ workshop	Monthly rental of HK\$10,500	2 years ending 10 July 2018
6/F, Man Wah Building, Flat 21 (No. 24 Man Wui Street), Nos. 1–23 Man Ying Street, Nos. 2–24 Man Wui Street, Kowloon	Mr. Yung Ka Chung	495	Staff quarter	Monthly rental of HK\$9,000	2 years ending 30 September 2018

Note: On 17 November 2015, the Building Authority served a building order on the owner of, and registered on 28 July 2016 against, Factory Unit D, 1/F & Flat Roof, Yally Industrial Building No. 6 Yip Fat Street, Hong Kong of which Units D101 and D2 are rented by our Group for workshop use. The owner was required to demolish certain building works in relation to a fire resisting door. Units D101 and D2 were used as workshops for Projects 21 and 22, which had been completed in January 2017. Our Directors expect to terminate the tenancies shortly after rectifying the defective works of the projects in July 2017.

Our Directors confirm that none of our property interests is individually material to our Group in terms of rental expenses.

NON-COMPLIANCE

Set out below is a summary of our systemic non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, which are in relation to: (i) safety in the industrial sector; (ii) notice to the relevant authorities required under the relevant laws and regulations; (iii) unauthorised building works; and (iv) late stamping of tenancy agreements. Up to the Latest Practicable Date, our Group had not been prosecuted for the non-compliance incidents disclosed below.

Our Internal Control Consultant is of the view that our Group has put in place adequate and effective design and implementation of the internal control system and measures to prevent the recurrence of the non-compliance incidents disclosed below. For details of the internal control measures, please refer to the paragraphs headed “Internal control measures to prevent recurrence of non-compliance incidents” and “Internal control measures to improve corporate governance” in this section below.

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Safety in the industrial sector

Details regarding the incident of non-compliance	Date of the incident	Relevant applicable section(s) of the ordinance	Maximum penalty/likely penalty, if being convicted, for the non-compliance	Reasons for the non-compliance	Remedial/rectification actions taken/to be taken
CEEL's failure to provide, and maintain safety measures to prevent a person from falling from a height of two metres or more in a construction site in Tsuen Wan.	3 June 2015	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong)	A maximum fine of HK\$200,000, and imprisonment for up to 12 months, but, as advised by our HK Legal Adviser, the prosecution has been time-barred.	The safety officer of the Main Contractor at the project site failed to ensure the worker's compliance with the prescribed safety measures.	Subsequent provision of adequate safety measures and relevant training for purposes of preventing any person in the construction site from falling from a high altitude.
CCCL's failure to develop, implement and maintain in respect of the relevant industrial undertaking a safety management system for four projects.	1 October 2013– 4 January 2016	Sections 8 and 34 of the Factories and Industrial Undertakings (Safety Management) Regulation ("Cap 59 AF")	A maximum fine of HK\$200,000 and imprisonment for up to six months. As advised by our HK Legal Adviser, the prosecution has been time-barred.	CCCL mistakenly believed that such duty was to be performed only by the Main Contractor, but not sub-contractors. (Note 1)	A registered safety officer was employed on 1 August 2016 to develop, implement and maintain a safety management system. (Note 2)
CEEL's failure to develop, implement and maintain in respect of the relevant industrial undertaking a safety management system for four projects.	25 March 2014– 31 July 2016	Sections 8 and 34 of Cap 59AF	A maximum fine of HK\$200,000 and imprisonment for up to six months. As advised by our HK Legal Adviser, the prosecution has been time-barred.	CEEL mistakenly believed that such duty was to be performed only by the Main Contractor, but not sub-contractors. (Note 1)	A registered safety officer was employed on 1 August 2016 to develop, implement and maintain a safety management system. (Note 2)
CCCL's failure to prepare a written policy statement in relation to the safety policy of the relevant industrial undertaking for four projects.	1 October 2013– 4 January 2016	Sections 9(1)(a) and 34 of Cap 59AF	A maximum fine for HK\$100,000 and imprisonment for up to three months. As advised by our HK Legal Adviser, the prosecution has been time-barred.	CCCL mistakenly believed that such duty was to be performed only by the Main Contractor, but not sub-contractors. (Note 1)	A registered safety officer was employed on 1 August 2016 to prepare a written policy statement. (Note 2)

Notes:

- Such non-compliances were not deliberate and our Group mistakenly believed it had complied with all the duties required under Cap 59AF by following the Main Contractors' safety management system and written policy statement, without developing, implementing and maintaining its own system nor preparing its own written policy statement. Our Directors had misunderstood the law, and their mistaken belief was honest and genuine at the material time. Such mistaken belief was wrongfully reinforced by the fact that up to the Latest Practicable Date, our Group had not been prosecuted for any the non-compliance incidents under Cap 59AF by the Labour Department.
- Our Group was not aware of the non-compliances until the engagement of the safety officer by our Group in August 2016 and rectification/remedial actions immediately followed. Our Directors were actively involved in rectifying the non-compliance and preventing any future non-compliance, e.g. our Director(s) reviewed and approved the safety manual and policy statement prepared by the safety officer, which provides for the safety policies and measures for the development of a safety system.

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Details regarding the incident of non-compliance	Date of the incident	Relevant applicable section(s) of the ordinance	Maximum penalty/likely penalty, if being convicted, for the non-compliance	Reasons for the non-compliance	Remedial/rectification actions taken/to be taken
CEEL's failure to prepare a written policy statement in relation to the safety policy of the relevant industrial undertaking for four projects.	25 March 2014– 31 July 2016	Sections 9(1)(a) and 34 of Cap 59AF	A maximum fine of HK\$100,000 and imprisonment for up to three months. As advised by our HK Legal Adviser, the prosecution has been time-barred.	CEEL mistakenly believed that such duty was to be performed only by the Main Contractor, but not sub-contractors. <i>(Note 1)</i>	A registered safety officer was employed on 1 August 2016 to prepare a written policy statement. <i>(Note 2)</i>
CCCL's failure to establish a safety committee for one project.	1 October 2013– 31 December 2013	Sections 10 and 34 of Cap 59AF	A maximum fine of HK\$100,000 and imprisonment for up to three months. As advised by our HK Legal Adviser, the prosecution has been time barred.	CCCL mistakenly believed that such duty was to be performed by the Main Contractor only.	Subsequent establishment of a safety committee on 16 August 2016.
CEEL's failure to establish a safety committee for four projects.	25 March 2014– 15 August 2016	Sections 10 and 34 of Cap 59AF	A maximum fine of HK\$100,000 and imprisonment for up to three months. As advised by our HK Legal Adviser, the prosecution has been time-barred.	CEEL mistakenly believed that such duty was to be performed by the Main Contractor only.	Subsequent establishment of a safety committee on 16 August 2016.
CCCL's failure to appoint a registered safety auditor to conduct a safety audit for one project.	1 October 2013– 31 December 2013	Sections 13(1) and 34 of Cap 59AF	A maximum fine of HK\$200,000 and imprisonment for up to six months. As advised by our HK Legal Adviser, the prosecution has been time barred.	CCCL mistakenly believed that such duty was to be performed by the Main Contractor only.	CCCL prepared a safety manual in August 2016, and implemented the safety policies and measures. A compliance committee was also established in November 2016 to prevent future non-compliance.

Notes:

- Such non-compliances were not deliberate and our Group mistakenly believed it had complied with all the duties required under Cap 59AF by following the Main Contractors' safety management system and written policy statement, without developing, implementing and maintaining its own system nor preparing its own written policy statement. Our Directors had misunderstood the law, and their mistaken belief was honest and genuine at the material time. Such mistaken belief was wrongfully reinforced by the fact that up to the Latest Practicable Date, our Group had not been prosecuted for any the non-compliance incidents under Cap 59AF by the Labour Department.
- Our Group was not aware of the non-compliances until the engagement of the safety officer by our Group in August 2016 and rectification/remedial actions immediately followed. Our Directors were actively involved in rectifying the non-compliance and preventing any future non-compliance, e.g. our Director(s) reviewed and approved the safety manual and policy statement prepared by the safety officer, which provides for the safety policies and measures for the development of a safety system.

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Details regarding the incident of non-compliance	Date of the incident	Relevant applicable section(s) of the ordinance	Maximum penalty/likely penalty, if being convicted, for the non-compliance	Reasons for the non-compliance	Remedial/rectification actions taken/to be taken
CEEL's failure to appoint a registered safety auditor to conduct a safety audit for four projects.	25 March 2014– 30 November 2016	Sections 13(1) and 34 of Cap 59AF	A maximum fine of HK\$200,000 and imprisonment for up to six months. As advised by our HK Legal Adviser, the prosecution has been time-barred	The statutory duty is imposed on contractors who fall within the scope as specified in the schedule of Cap 59AF, but not on all contractors, and CEEL mistakenly believed that such duty was to be performed by the Main Contractor only until the engagement of the safety officer (Note) by our Group in August 2016.	After discovering the non-compliance incidents, CEEL prepared a safety manual in August 2016, implemented the safety policies and measures. A compliance committee was also established in November 2016, and CEEL subsequently appointed a registered safety auditor on 1 December 2016. Our HK Legal Adviser advised that the non-compliance was duly rectified on 1 December 2016.
CCCL's failure to appoint a safety review officer to conduct a safety review for three projects.	1 October 2013– 4 January 2016	Sections 19(1)(a) and 34 of Cap 59AF	A maximum fine of HK\$200,000 and imprisonment for up to six months. As advised by our HK Legal Adviser, the prosecution has been time-barred.	The statutory duty is imposed on contractors who fall within the scope as specified in the schedule of Cap 59AF, but not on all contractors, and CCCL mistakenly believed that such duty was to be performed by the Main Contractor only until the engagement of the safety officer (Note) by our Group in August 2016.	After discovering the past non-compliance incidents, CCCL prepared a safety manual in August 2016, implemented the safety policies and measures. A compliance committee was also established in November 2016 and a safety review officer was appointed on 17 December 2016 to prevent future non-compliance. Our HK Legal Adviser advised that as the three projects were all completed on or before 4 January 2016, there was no further non-compliance since then.

Note:

Pursuant to our HK Legal Adviser, each of (i) safety officer, (ii) safety auditor and (iii) safety review officer has distinct responsibilities, and it is not a statutory requirement for every contractor to appoint all the said three officers in every project. The duty to appoint a safety auditor or a safety review officer is only imposed on contractors who fall within the scope of the schedule to Cap 59AF. Our Group had at all times mistakenly believed that such duties were to be performed by the Main Contractor, until after the employment of its safety officer in August 2016.

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Notice to the relevant authorities required under the relevant laws and regulations

Details regarding the incident of non-compliance	Date of the incident	Relevant applicable section(s) of the ordinance	Maximum penalty/likely penalty, if being convicted, for the non-compliance	Reasons for the non-compliance	Remedial/rectification actions taken/to be taken
CCCL's failure to timely give Form 1 notice (notice of commencement of construction operations) within 14 days after the commencement of construction operations as required under the CICO in relation to a project.	1 November 2014	Section 34 of the CICO	A maximum fine of HK\$2,000, but, as advised by our HK Legal Adviser, the prosecution has been time-barred.	Our personnel inadvertently omitted to submit the relevant Form 1 within specified time.	We gave the relevant notice to the CIC on 5 January 2015. Our Group has established policies and procedures for the management of tender documents.
CEEL's failure to timely give Form 1 notice (notice of commencement of construction operations) within 14 days after the commencement of construction operations as required under the CICO in relation to a project.	1 December 2013	Section 34 of the CICO	A maximum fine of HK\$2,000. As advised by our HK Legal Adviser, as the relevant levy has been assessed and duly paid, the risk of prosecution against CEEL can be disregarded.	Our personnel inadvertently omitted to submit the relevant Form 1 within specified time.	We gave subsequent notice to the CIC on 8 December 2016. Our Group has established policies and procedures for the management of tender documents.
CEEL's failure to give Form 2 notice (notice of payment) within 14 days after receiving a payment in respect of a construction operation as required under the CICO in relation to a project.	1 December 2013– 30 November 2015 1 October 2013– 4 July 2014	Sections 35 and 41 of the CICO	A maximum fine of HK\$10,000 for each offence and a surcharge not exceeding twice the amount of the construction industry levy payable may be imposed. As advised by our HK Legal Adviser, as the relevant levy has been assessed and duly paid, the risk of prosecution against CEEL can be disregarded.	Our personnel inadvertently omitted to submit the relevant Form 2 within specified time.	Subsequent notices were given to the CIC on 8 and 19 December 2016. The CIC issued payment notices in February 2017 and no surcharge was imposed on CEEL. The levy has been paid within time. Our Group has established policies and procedures for the management of tender documents.

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Details regarding the incident of non-compliance	Date of the incident	Relevant applicable section(s) of the ordinance	Maximum penalty/likely penalty, if being convicted, for the non-compliance	Reasons for the non-compliance	Remedial/rectification actions taken/to be taken
CEEL's failure to give Form 3 notice (notice of completion) within 14 days after the completion of a construction operation as required under the CICO in relation to a project.	30 November 2015 4 July 2014	Sections 36 and 41 of the CICO	A maximum fine of HK\$10,000 for each offence and a surcharge not exceeding twice the amount of the construction industry levy payable may be imposed (same construction operations as the immediate two preceding incidents in relation to Form 2 notice, and the relevant levy or surcharge only needs to be paid once). As advised by our HK Legal Adviser, as the relevant levy has been assessed and duly paid, the risk of prosecution against CEEL can be disregarded.	Our personnel inadvertently omitted to submit the relevant Form 3 within specified time.	We gave subsequent notices to the CIC on 8 and 19 December 2016. Our Group has established policies and procedures for the management of tender documents.
CCCL's failure to give Form 1(B) notice (notice of commencement of construction operations) within 14 days after the commencement of construction operations as required under PM(C)(AL)R in relation to a project.	1 November 2014	Regulation 4 of the PM(C)(AL)R	A maximum fine of HK\$5,000, but, as advised by our HK Legal Adviser, the prosecution has been time-barred.	Our personnel inadvertently omitted to submit the relevant Form 1(B) within specified time.	We gave the relevant notice to the Pneumoconiosis Compensation Fund Board on 5 January 2015. Our Group has established policies and procedures for the management of tender documents.
CEEL's failure to give Form 1(B) notice (notice of commencement of construction operations) within 14 days after the commencement of construction operations as required under the PM(C)(AL)R in relation to a project.	1 December 2013	Regulation 4 of the PM(C)(AL)R	A maximum fine of HK\$5,000. As advised by our HK Legal Adviser, as the relevant levy has been assessed and duly paid, the risk of prosecution against CEEL can be disregarded.	Our personnel inadvertently omitted to submit the relevant Form 1(B) within specified time.	We gave subsequent notices to the Pneumoconiosis Compensation Fund Board on 8 December 2016. Our Group has established policies and procedures for the management of tender documents.

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Details regarding the incident of non-compliance	Date of the incident	Relevant applicable section(s) of the ordinance	Maximum penalty/likely penalty, if being convicted, for the non-compliance	Reasons for the non-compliance	Remedial/rectification actions taken/to be taken
CEEL's failure to give Form 2(B) notice (notice of payment) within 14 days after receiving a payment in respect of a construction operation as required under the PM(C)(AL)R in relation to a project.	1 December 2013– 30 November 2015 1 October 2013– 4 July 2014	Regulations 5 and 6D of the PM(C)(AL)R	A maximum fine of HK\$5,000 for each offence and a surcharge not exceeding twice the amount of the construction industry levy payable may be imposed. As advised by our HK Legal Adviser, as the relevant levy has been assessed and duly paid, the risk of prosecution against CEEL can be disregarded.	Our personnel inadvertently omitted to submit the relevant Form 2(B) within specified time.	We gave subsequent notices to the Pneumoconiosis Compensation Fund Board on 8 and 19 December 2016. The Pneumoconiosis Compensation Fund Board issued payment notices on 20 February 2017 and no surcharge was imposed on CEEL. The levy has been paid within time. Our Group has established policies and procedures for the management of tender documents.
CEEL's failure to give Form 3(B) notice (notice of completion) within 14 days after the completion of a construction operation as required under the PM(C)(AL)R in relation to a project.	30 November 2015 4 July 2014	Regulations 5A and 6D of the PM(C)(AL)R	A maximum fine of HK\$5,000 for each offence and a surcharge not exceeding twice the amount of the construction industry levy payable may be imposed (same construction operations as the immediate two preceding incidents in relation to Form 2(B) notice, and the relevant levy or surcharge only needs to be paid once) As advised by our HK Legal Adviser, as the relevant levy has been assessed and duly paid, the risk of prosecution against CEEL can be disregarded.	Our personnel inadvertently omitted to submit the relevant Form 3(B) within specified time.	We gave subsequent notices to the Pneumoconiosis Compensation Fund Board on 8 and 19 December 2016. Our Group has established policies and procedures for the management of tender documents.

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Details regarding the incident of non-compliance	Date of the incident	Relevant applicable section(s) of the ordinance	Maximum penalty/likely penalty, if being convicted, for the non-compliance	Reasons for the non-compliance	Remedial/rectification actions taken/to be taken
CCCL's failure to give the required notice (Form 56F) to the Commissioner of Inland Revenue not later than one month before ceasing to employ an individual.	30 September 2016	Sections 52(5) and 80 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)	A maximum fine of HK\$10,000 As advised by our HK Legal Adviser, the likely fine is a few thousand dollars only for first time offender.	Our personnel has inadvertently omitted to give the notice in relation to the commencement of employment.	We filed a Form 56F on 6 December 2016. Our Group has established policies and procedures which includes assigning our human resources and administrative manager to prepare and file the required notice (Form 56F) when there is resignation and termination of employees. The Finance Director is responsible for monitoring the internal compliance procedures and updating relevant rules and regulations regularly.

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Unauthorised building works

Non-compliance incident	Legal consequences	Reasons for the non-compliance	Remedial/rectification actions taken/to be taken
<p>Cocklofts had been erected in Unit 4 with podium roof, 2/F, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong and Unit 5 (“the Sun Fung Properties”) without prior formal approval of the Buildings Authority.</p>	<p>Pursuant to section 24 of the Buildings Ordinance, where any building has been erected in contravention of the Buildings Ordinance, the Building Authority may by order in writing require (a) the demolition of the building, building works, or street works; or (b) such alteration of the building, building works or street works as may be necessary to cause the same to comply with the provisions of this Ordinance, or otherwise to put an end to the contraventions thereof.</p> <p>As at the Latest Practicable Date, we had not received any demolition order or been prosecuted for erection of the unauthorised building works.</p>	<p>CCCL does not realise that the cocklofts are unauthorised building works under the Buildings Ordinance.</p>	<p>Our offices in the Sun Fung Properties was relocated at the end of December 2016. CCCL and CEEL signed a tenancy agreement with an Independent Third Party for the property located at Office B, 7/F, TLP132, Nos. 132–134 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong (the “New Office Property”) on 8 December 2016 for a term of one year commencing from 9 December 2016 to 8 December 2017 (both days inclusive). The gross floor area of the New Office Property is approximately sq. ft. 1,700.</p> <p>Provisional agreement for sale and purchase in relation to the sale of Unit 4 was entered into with an Independent Third Party on 12 December 2016 and completion of the said sale took place on 16 February 2017.</p> <p>Demolition works in respect of the cockloft in Unit 5 shall be completed before Listing.</p> <p>CCCL has established policies and procedures for the erection of building works, and provided a formal mechanism on the flow of planning, implementation and monitoring of the erection of building works.</p>

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Late stamping of tenancy agreements

Details regarding the incident of non-compliance	Date of the incident	Relevant applicable section(s) of the ordinance	Maximum penalty/ likely penalty, if being convicted, for the non-compliance	Reasons for the non-compliance	Remedial/rectification actions taken/to be taken
Failure to duly stamp a tenancy agreement in relation to a property at No. 625 Castle Peak Road, Tsuen Wan, New Territories rented by CCCL within time	7 September 2015	Sections 4 and 9 of the Stamp Duty Ordinance	Payment of the stamp duty, and any penalty payable (maximum 10 times the amount of the stamp duty)	The parties have inadvertently omitted to stamp the tenancy agreement within time	The tenancy agreement was stamped, with penalty of HK\$810 paid, on 6 December 2016 CCCL has established policies and procedures for leasing arrangement which provides a formal mechanism on the flow of initiating, approving, executing and monitoring the leasing of properties.
Failure to duly stamp a tenancy agreement in relation to a property at No. 625 Castle Peak Road, Tsuen Wan, New Territories rented by CCCL within time	30 August 2016	Sections 4 and 9 of the Stamp Duty Ordinance	Payment of the stamp duty, and any penalty payable (maximum 10 times the amount of the stamp duty)	The parties have inadvertently omitted to stamp the tenancy agreement within time	The tenancy agreement was stamped, with penalty of HK\$810 paid, on 6 December 2016. CCCL has established policies and procedures for leasing arrangement which provides a formal mechanism on the flow of initiating, approving, executing and monitoring the leasing of properties.
Failure to duly stamp a tenancy agreement in relation to a property at Nos. 2-24 Man Wui Street, Kowloon rented by CEEL within time	1 October 2016	Sections 4 and 9 of the Stamp Duty Ordinance	Payment of the stamp duty, and any penalty payable (maximum 10 times the amount of the stamp duty)	The parties have inadvertently omitted to stamp the tenancy agreement within time	The tenancy agreement was stamped, with penalty of HK\$2,160 paid, on 6 December 2016. CEEL has established policies and procedures for leasing arrangement which provide a formal mechanism on the flow of initiating, approving, executing and monitoring the leasing of properties.

Internal control measures to prevent recurrence of non-compliance incidents

In view of the non-compliance incidents, our Internal Control Consultant has been appointed to further review the adequacy and effectiveness of the design and implementation of our internal control system and measures to prevent the recurrence of such non-compliances. In order to prevent recurrence of the abovementioned non-compliances in the future, our Group has, upon discovery of the non-compliance incidents, taken rectification actions and remedial internal control measures; and after the engagement of the Internal Control Consultant, adopted further internal control measures as recommended by the Internal Control Consultant. The internal control measures include:

Safety in the industrial sector

1. to strengthen safety at our work sites, we have engaged one safety officer, who has been registered as a Safety Officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since July 2002, to monitor safety at sites and ensure that our workers and that of our subcontractors comply with the relevant safety measures. The role and responsibilities of the safety officer include, but not limited to, the following:
 - visiting the sites on a daily basis, and preparing weekly report to the management team in this regard (with suggested follow-up or remedial measures), and (upon approval from the said team) implementing the said measures, together with reporting of relevant progress in the subsequent weekly report;
 - at the commencement of each project and each weekly safety meeting, reminding the site workers to observe the construction site rules;
 - organising annual training for staff members and sub-contractors on rules and regulations relating to safety and construction works in Hong Kong; and
 - if any accident occurs, preparing an accident report and submitting it to our Directors for approval.

Our Directors consider that the engagement of the safety officer has further enhanced our safety monitoring;

2. in August 2016, the safety officer has compiled a safety manual, which has been approved by a Director, and assisted our Group in implementing the safety policies and measures, including health and safety policy, safety training, in-house safety rules, safety inspection programme, hazard control programme, incident reporting and investigation, emergency preparedness, evaluation and control over subcontractors, safety committees, job hazard analysis, safety promotion programme, occupational health assurance programme and process control programme, and staff members are required to have a thorough understanding on the safety manual, and various training sessions have been provided to them from time to time. Safety supervisor was designated to monitor the overall safety for each site;

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3. the management team has conducted quarterly reviews since September 2016 on the internal control measures for safety and monitor safety compliance matters conducted by the subcontractors to identify areas of further improvement and make appropriate changes to such measures, where necessary; and
4. our project directors conduct spot checks on the implementation of the internal control measures at work sites, and report irregularities discovered and new measures implemented to the Board of Directors each month or, in case of urgent and serious incidents as soon as practicable.

Notice to the relevant authorities required under the relevant laws and regulations

1. we have established policy and procedures for the management of tender documents for compliance with the notice requirements under the CICO, the PMCO and the PM(C)(AL)R, respectively. Our Managing Director, contract manager and project managers shall review the terms of the contract awarded, and seek legal advice from external legal advisor, if necessary. Project team shall prepare relevant forms for filing as required under the said ordinances; and
2. we have established policies and procedures which include the processes to be performed when there is resignation and termination of employees. Our human resources and administrative manager is required to prepare the relevant notice required under the Inland Revenue Ordinance in accordance with the timeframe. The Finance Director is responsible for monitoring the internal compliance procedures and updating relevant rules and regulations regularly.

Unauthorised building works

We have established policies and procedures for the erection of building works, and provided a formal mechanism on the flow of planning, implementation and monitoring of the erection of building works. The relevant procedures include the preparation of report for internal approval and submission to relevant government authorities. Professional advice shall be obtained when necessary.

Late stamping of tenancy agreements

We have established policies and procedures for leasing arrangement which provides a formal mechanism on the flow of initiating, approving, executing and monitoring the leasing of properties. Our general manager shall be responsible to report to the Board in relation to any proposed leasing arrangements, and seek the Board's approval. Our general manager shall ensure due stamping of the executed tenancy agreements thereafter.

Overall measures

1. we have set up a compliance committee, comprising the Finance Director, a project director, accounting manager and human resources and administrative manager since November 2016, which is responsible for monitoring the effectiveness of our Group's regulatory compliance procedures and systems, reviewing compliance affairs and handling possible non-compliance matters, if any, as reported by the staff members of our Group. Regular meetings have been conducted quarterly since November 2016, chaired by the Finance Director and attended by

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committee members from major departments of our Group, including the finance and accounting department and administrative department, human resources and project department, to handle the existing non-compliance incidents at that time;

2. we have, since August 2016, instructed our HK Legal Adviser to provide legal advice on non-compliance issues and attend meetings with our Directors and other staff members of our Group to provide legal training and updates to the relevant law and regulations. Our Group's safety officer has also provided various safety training to our Group's employees. We shall continue to arrange various trainings, to be conducted by the safety officer/safety supervisor/ other professionals, to update the Board, senior management and relevant employees on the relevant laws and regulations. In addition, training session(s) shall be held when new employees join the relevant departments to explain the non-compliances resulting from previous practices and to enhance their understanding of the remedial actions, and to ensure correct understanding of the relevant laws and regulations;
3. we have appointed SHINEWING Risk Services Limited, our Internal Control Consultant, to perform regular review on our internal control system and compliance procedures, and provide recommendations when necessary. The term of such appointment is one year commencing on the Listing Date, subject to annual renewal on terms and conditions to be mutually agreed between our Group and SHINEWING Risk Services Limited; and
4. we have established a mechanism on seeking independent professional advice, which includes initiation, selection and approval processes. Our Group has appointed Mr. Yeung Wai Lung as the independent non-executive Director, with over 25 years of experience in internal controls and compliance to assist in the reviewing of its policy and procedures. Guoyuan Capital has been appointed as our Company's compliance adviser to advise our Group on compliance matters in accordance with the Listing Rules after Listing, whereas Hui & Lam LLP has been appointed as legal adviser to advise our Group on compliance matters in accordance with the relevant laws and regulations.

Internal control measures to improve corporate governance

In order to continuously improve our Group's corporate governance in the future, our Group has adopted or will adopt the following measures:

1. we have established the Audit Committee for ensuring compliance with the relevant statutory and regulatory requirements. The Audit Committee has adopted its terms of reference which set out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations;
2. when necessary, we will engage external professionals, including auditors, external legal adviser and other advisers to render professional advice as to compliances with statutory and regulatory requirements as applicable to our Group from time to time. We have also appointed Guoyuan Capital as our compliance adviser to advise our Group on compliance matters in accordance with the Listing Rules, and our HK Legal adviser to advise our Group on compliance matters in accordance with the relevant laws and regulations, after Listing, respectively;

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3. we will arrange appropriate insurance cover on our Directors' liabilities in respect of legal actions against our Directors arising out of corporate activities before Listing;
4. our Board has adopted the terms of reference with regard to corporate governance and a shareholders' communication policy in accordance with the code provisions contained in the corporate governance code as set out in Appendix 14 (the "Code") to the Listing Rules;
5. we have appointed four independent non-executive Directors representing more than one half of the Board and at least one of them has accounting expertise;
6. our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested; and
7. pursuant to the Code, our independent non-executive Directors will be able to seek independent professional advice from external parties in appropriate circumstances at our cost.

Our Internal Control Consultant is of the view that our Group has put in place adequate and effective design and implementation of the internal control system and measures to prevent the recurrence of the identified non-compliance incidents above. Based on the view of our Internal Control Consultant, our Directors consider that the current internal control system and measures have been properly and adequately designed and implemented to prevent the recurrence of those identified non-compliance incidents.

View of our Directors and the Sole Sponsor

Our Directors are of the view that the systemic non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules. The Sole Sponsor, having taken into account (i) the nature of the systemic non-compliance incidents and the extent of penalty imposed and the possible penalty that may be imposed on our Group; (ii) the internal control measures which have been implemented and to be adopted by our Group as set out in the paragraphs headed "Internal control measures to prevent recurrence of non-compliance incidents" and "Internal control measures to improve corporate governance" of this section; (iii) the view of our Internal Control Consultant as stated above; and (iv) that the non-compliance incidents were unintentional, and did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors, concurred with our Directors' view that our internal control measures are adequate and effective and the systemic non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules.

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Deed of Indemnity

Our Controlling Shareholders entered into the Deed of Indemnity in favour of our Group whereby the Controlling Shareholders agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity. Further details of the Deed of Indemnity are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

BREACH OF THE THEFT ORDINANCE, CHAPTER 210 OF THE LAWS OF HONG KONG (“THEFT ORDINANCE”) BY A FORMER EMPLOYEE (“FORMER EMPLOYEE”)

Prior to the Track Record Period, there was one incident involving breach of the Theft Ordinance by the Former Employee, details of which are as set out below:

Details of the incident

The Former Employee was an accounting officer of CCCL responsible for, *inter alia*, preparation of payroll, MPF, overtime expenses, cheques and other financial accounting documents for CCCL.

In April 2013, we were informed by the Inland Revenue Department that the payroll expenses in the submitted financial statements of CCCL were much higher than that as stated in the employer’s return of remuneration (the “**Discrepancy**”). Upon investigation, it was discovered that, during the period between 3 May 2006 and August 2012, the Former Employee had overstated 193 cheques drawn in her favour from the bank account of CCCL. The Former Employee prepared these 193 cheques drawn in her own name as reimbursement to her in relation to the disbursement/petty cash paid out by the Former Employee for and on behalf of CCCL with valid supporting vouchers and receipts for Mr. Yung’s approval and signing. The amounts of these cheques were usually small of around one thousand odd dollars.

Brief explanation and our primary remedial measures taken

Upon the discovery of the possible misconduct committed by the Former Employee, our Group had, in May 2013, engaged an internal control professional with extensive experience in the accounting and compliance field to conduct investigations. For purposes of preventing the recurrence of similar incidents in future and remediating the internal control weakness, our Group has taken remedial actions since November 2013. The internal control weaknesses of our Group at the material time that resulted in the said incident and the relevant remedial actions are as follows:

Weakness	Remedial action	Date of Implementation
Former Employee was responsible to revenue and payment (including salaries and wages payments) management. No segregation of duties and proper approval procedures were noted.	Our Group has devised a new operating system, focusing on the following three main areas: (1) revenue and cash collection; (2) payment for purchases; and (3) payment for expenses (of administration expenses of both of our head and site offices and salaries and wages payments), with proper segregation of duties and approval procedures set in place to strengthen our internal control in these areas.	November 2013

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Details of the incident

The Former Employee only committed the offence of theft after the valid and subsisting cheques signed by Mr. Yung were passed back to the Former Employee by altering the original amount of the cheques, and, thereafter, deposited these cheques into 14 bank accounts in her own name, resulting in an aggregate sum of around HK\$7.0 million having been drawn dishonestly by her.

In order to conceal the offence of theft committed by her in the relevant time, the Former Employee wrongfully recorded the overstated and falsified amount of around HK\$7.0 million as part of CCCL's payroll expenses for other staff of CCCL in the financial documents provided by her in about August each year for CCCL's then auditor to prepare the financial statements to be submitted to the Inland Revenue Department, resulting in the Discrepancy. The Former Employee was prosecuted and was convicted on 30 May 2016 of theft under the Theft Ordinance, and was sentenced to 44 months' imprisonment.

As advised by our HK Legal Adviser, our Group has not breached any laws or regulations in respect of the above incident, and, save for the settlement proposal agreed between CCCL and the Inland Revenue Department dated 12 August 2016, whereby CCCL paid a net additional tax of HK\$75,528 and a compound penalty of HK\$280,000 to the Inland Revenue Department as settlement of the filing of incorrect returns resulting from the above incident, the above incident does not have any legal implication on our Group.

Brief explanation and our primary remedial measures taken

Weakness	Remedial action	Date of Implementation
Former Employee had full control on the accounting function. She was not a qualified accountant.	A new accounting team with an accountant (being a qualified accountant under HKICPA) and account clerks has been recruited to form the accounting department. Segregation of duties is in place in the new accounting department, in which, account clerks are responsible to prepare vouchers/payments while the accountant is responsible to check and approve the vouchers/payments. The accountant is also responsible to report to the general manager on all relevant issues. Such segregation of duties helps preventing fraud and thefts as each transaction is to be handled and overseen by at least two employees in our Group's new accounting department.	November 2013
All accounting records were prepared manually. No proper approval process was noted. Accounting information was not provided to management in a timely basis.	A new accounting software system has been implemented to computerize all accounting entries for purpose of improving our operational efficiency, and further strengthening our internal control. Features of the new accounting software system includes: segregation of access right for staff, standardized approval process with audit trail and instant accounting information for management review.	November 2013

As a result of the abovementioned remedial actions, segregation of duties within our Group was in place thereafter.

Further measures adopted to strengthen our Group's internal control

In addition to the above remedial measures immediately adopted in November 2013, our Internal Control Consultant, which was appointed in September 2016 for the purposes of the Listing, made the following findings on other possible relevant weaknesses of CCCL's internal control system that may subsist in the incident, and recommendations to address the said weaknesses and strengthen our Group's internal control as a whole:

Findings

The assistant accountant and the accountant were responsible for preparing the accounting entries. The accounting entries prepared by the assistant accountant were reviewed by the accountant, while the accounting entries prepared by the accountant were reviewed by the management team. However, the reviewer had not signed on the accounting entries following its review of the relevant accounting entries. Additionally, training was not provided to accounting staff members to update their understanding on relevant accounting standard and requirements prescribed under the Listing Rules.

There was no approval matrix established for payment.

Recommendation

The reviewer shall sign on the accounting entries following its review. In addition, regular training shall be provided to the said staff members to update their understanding of the relevant accounting standards, and the relevant requirements prescribed under the Listing Rules.

Our Company shall establish an approval matrix for payment with dual control to be put into place. Applicant should submit the payment requisition form along with relevant documents to management for written approval. After the approval, the abovementioned documents should be passed to relevant staff for preparing the payment/ cheque. For the cash payment, applicant should sign on the payment requisition form after receipt. Accounting staff should update the cash register after the payment. For cheque payment, cheque together with the supporting documents, such as payment requisition form should be passed submitted to management for approval according to the approval matrix. Payment should only be made with valid supporting documents and correct information.

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Findings

Bank reconciliations were conducted for all bank accounts by the accounting staff members and submitted to the accountant for approval. However, there was no relevant evidence of such review retained.

A payroll summary, and a staff members list, were submitted to the Managing Director for review and approval. However, there was no relevant evidence of such review retained.

A payroll reconciliation statement, and an employer's return, were passed to the contract manager and the general manager for approval. However, there was no relevant evidence of such review retained.

During month-end closing, the accountant prepares financial statements on company level. However, the financial statements are not submitted to management for review.

Recommendation

The accounting staff members shall conduct bank reconciliation on a monthly basis. Bank reconciliation statement shall be prepared monthly whether or not there is any variance between the bank statement and bank ledger. The bank reconciliation statement shall be passed to the accountant for review, approval and sign. Copies of the signed bank reconciliation statement and bank statement shall be kept for record.

The human resources and administrative manager shall prepare a payroll summary on a monthly basis, which shall, in turn, be submitted together with a staff members list to the Managing Director for review and approval. The approved payroll summary shall be signed by the Managing Director and, thereafter, submitted to the accounting staff members for preparation of the relevant vouchers.

The accounting staff members shall prepare a payroll ledger to be passed to the human resources and administrative manager, who shall then prepare a payroll reconciliation statement, and the relevant form is required to be submitted to the Inland Revenue Department to declare the salary of each of the staff members. Such documents shall, in turn, be passed to the contract manager and general manager for approval, who shall then sign on the said form, and keep a copy of the same for audit trail.

The accountant shall send the financial statement to the Managing Director for review and approval, who shall then sign on the company level financial statement as audit trail.

Our Group has adopted the abovementioned recommendations following the review in November 2016. It is submitted that, following our Group's implementation of the Internal Control Consultant's recommendations in November 2016, the Internal Control Consultant had, in December 2016 and March 2017, respectively, carried out follow-up reviews in connection therewith. Based on their observation of

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the follow-up reviews, the Internal Control Consultant is of the view that measures adopted by our Group in November 2016 are adequate and effective to address the weaknesses as stated above as set out in this section.

Having taken into account the results of the follow-up reviews by, and the views of, the Internal Control Consultant, our Directors and the Sole Sponsor consider that the measures implemented by our Group in November 2016 are adequate and effective to address the weaknesses as stated above in this section.

INTERNAL CONTROLS

In September 2016, we engaged our Internal Control Consultant to perform a detailed evaluation under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework of our Group's internal control system including the areas of financial, operation, compliance and risk management. Following such review and evaluation performed by our Internal Control Consultant, our Group has implemented all of the recommendations given by our Internal Control Consultant on our internal control system.

Our Internal Control Consultant is a professional firm specialising in corporate governance, internal audit and internal control review services. It has been providing pre-IPO internal control review services to listing applicants and listed companies since 2007.

In relation to the non-compliance incidents mentioned above, our Internal Control Consultant has reviewed our internal control designs for preventing the recurrence of the above-mentioned non-compliance incidents. Key measures adopted and to be adopted by our Group pursuant to the recommendations of our Internal Control Consultant are disclosed in the paragraph headed "Business — Internal control measures to prevent the recurrence of non-compliance incidents" in this section.

In early December 2016, our Internal Control Consultant completed a follow-up review in this connection and the result of the follow-up review was that they did not note any statement of findings of material weakness or material insufficiency in our Group's internal control system.

In March 2017, the Internal Control Consultant further conducted a review on the non-compliance issues of our Group. Based on their observation, they are of the view that the internal control measures of our Group are adequate and effectively designed and implemented to prevent the recurrence of the non-compliance incidents.

Our Group has appointed SHINEWING Risk Services Limited, the Internal Control Consultant, to perform regular review on our Group's internal control system and compliance procedures, and provide recommendations, when necessary. The term of such appointment is one year commencing on the Listing Date, subject to annual renewal on terms and conditions to be mutually agreed between our Group and SHINEWING Risk Services Limited.

RISK MANAGEMENT

In order to effectively evaluate, manage and mitigate risks, including but not limited to financial, operational, legal, regulatory, technology, business and strategic risks faced by our Group, we have established a risk management committee with written terms of reference in compliance with the provisions as set forth in the Code. For details about the duties of our risk management committee, please refer to the paragraph headed “Board committees — Risk management committee” in the section headed “Directors, senior management and staff” in this prospectus.

Our risk management committee, with the assistance of our senior management, is responsible for identifying, analysing, evaluating and determining the risks and the nature and extent of the risks that our Company is willing to take in achieving our strategic objectives. Our risk management process starts with identifying the major risks associated with our business, industry and markets where we operate. For details of such risks, please refer to the section headed “Risks factors” in this prospectus. Depending on the assessment of the likelihood and potential impacts of the relevant risks which our Group may face, under the leadership of Mr. Li Kar Fai Peter, our Finance Director, our management will devise contingency plans and take mitigating actions when necessary and appropriate. Our risk management committee will conduct regular reviews on the status and results of the mitigating actions taken to measure and improve the effectiveness of our mitigation plans, contingency plans and risk management procedures.

Our Board, as a whole, is responsible for carrying out corporate governance functions and has adopted written terms of reference in compliance with the Code for defining the scope of such functions.

For details of the qualifications and experiences on the members of our risk management committee, our Board and our senior management, please refer to the section headed “Directors, senior management and staff” in this prospectus.

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LITIGATION AND POTENTIAL CLAIMS

Set out below is a summary of the accidents involving the workers employed by us and our subcontractors during the Track Record Period and outstanding litigation against, and settled claims of, our Group during the Track Record Period and up to the Latest Practicable Date:

No.	Date of Accident	Nature of the accident	Identity of the injured worker	Compensation claimed/ amount settled	Status as at the Latest Practicable Date
1.	5 February 2013	A worker alleged right elbow injuries	Subcontractor's employee	An application under the Employees' Compensation Ordinance was made on 29 October 2013 (D.C.E.C. NO. 1905 of 2013) and the a sum of HK\$275,638.42 was paid in full and final settlement of the judgment sum and interests thereon by the Main Contractor and CCCL. The worker has filed a civil claim to the court (Action no. DCPI-212/2016). The total claim for employees' compensation and civil claim is approximately HK\$602,845 plus interests and costs.	Fully settled The insurer has taken over the proceedings
2.	22 April 2015	A worker alleged right ankle injuries	Subcontractor's employee	An employees' compensation of HK\$74,760 was made by our subcontractor.	Fully settled
3.	3 June 2015	A worker alleged left lumbar paraspinal, left finger and right forearm injuries	Subcontractor's employee	An employees' compensation of HK\$8,400 was made by our subcontractor.	Fully settled
4.	16 July 2016	A worker alleged fracture left cuboid bone and left elbow injuries	CEEL's employee	An employee's compensation of HK\$64,137.92 was made by our Main Contractor.	Fully settled

Our Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry. The Main Contractor has taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, the above incident is covered by the insurance taken out by our Main Contractor and does not, and is not expected to, have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Safety and Insurance — Insurance" in this section.

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No provision was made in the financial statements of our Group in respect of the aforementioned ongoing claim having taken into account (i) the uncertainty in the total amount involved for the relevant claim; (ii) the coverage by the relevant insurance as mentioned above; and (iii) the indemnity given by our Controlling Shareholders as mentioned in the paragraph headed “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

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

Details of potential litigations involving non-compliance by our Group with regulatory requirements under the laws of Hong Kong during the Track Record Period and up to the Latest Practicable Date are set out in the paragraph headed “Non-compliance” in this section above.

MARKET AND COMPETITION

Competition

According to the Ipsos Report, as of May 2017, there were over 9,000 contractors registered for the private sector, over 120 contractors registered for the public sector and 26 contractors registered for the public housing sector offering electrical and extra low voltage installation works. The top five E&M engineering service companies contributed to around 23.9% of the revenue in Hong Kong’s E&M engineering services industry in 2016. Our Directors are of the view that although competition exists between companies in the E&M engineering services industry, the competition itself is not that intense as only small number of players manage to meet the licensing/approval requirements of the Government to carry out certain types of public sector works or the technical requirements for large projects in the private sector.

Entry Barriers

According to the Ipsos Report, customers normally assess the suitability of tendering E&M contractors based on capabilities and track records of contractors. Since practical experience in the E&M engineering services industry can only be gained upon completion of projects, contractors with proven track records therefore have a higher chance of winning the contracts than new entrants who may be considered as inexperienced and thus incapable to carry out the E&M engineering services projects.

Apart from credit track record of high quality projects, new market players have to attain certain requirements before they can be registered under different authorities for different types of E&M engineering services works. They also need to enhance their credibility through employing experienced and qualified technical personnel, which is increasingly difficult in the E&M engineering services industry where manpower is running short.

Moreover, as set out in the section headed “Regulatory Overview — Contractors registration regimes” in this prospectus, contractors are required to be included in the Specialist List before they can undertake contracts in the public sector and there is also minimum capital requirements for such

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contractors. For instance, the minimum working capital for electrical installation (Group III) under the WBDB is HK\$3.4 million, but no limit is set on the contract values of project that a registered specialist contractor for electrical installation (Group III) is allowed to undertake.

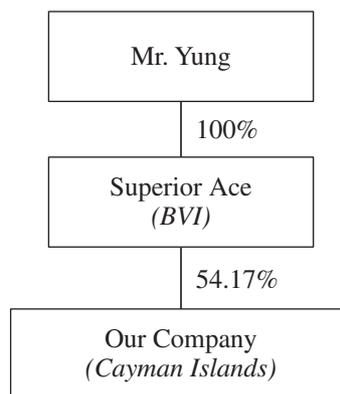
Please see the section headed “Industry Overview” in this prospectus for further information on the market and competition for our E&M engineering services.

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OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, without taking into account the exercise of any options that may be granted under the Share Option Scheme. Mr. Yung and Superior Ace shall control more than 30% of our issued share capital. For the purpose of the Listing Rules, Mr. Yung and Superior Ace are our Controlling Shareholders. Each of Mr. Yung and Superior Ace confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

The following diagram illustrates the ultimate beneficial interest of our Controlling Shareholders' shareholdings immediately following the completion of the Capitalisation Issue and the Share Offer, without taking into account the exercise of any options that may be granted under the Share Option Scheme:



INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective close associates or any other parties, taking into account the following factors:

Financial independence

Our Group has an independent financial system, and makes financial decisions according to our Group's own business needs. We have sufficient capital to operate our business independently, adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on its business, and this is expected to continue after the Listing.

During the Track Record Period, our Group maintained a working capital of around HK\$14.1 million for the WBDB by way of Director's loans from Mr. Yung. In such connection, as at 31 January 2017, the total amount of such loans due to Mr. Yung by our Group was HK\$14,149,000. On 23 March 2017, our Group has repaid such loans to Mr. Yung in full. For details in this regard, please refer to the paragraph headed "Relationship with Controlling Shareholders — Discontinued Transactions — Financial assistance by Mr. Yung to CCCL" in this prospectus. As a result of the aforesaid premature repayment, the WBDB shall, in relation to the relevant loan whereby

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repayment has been made, take the said loan into account when calculating the working capital of our Group in determining if our Group is maintaining the required minimum working capital. As at 31 January 2017, the amount of cash and cash equivalents of our Group amounted to approximately HK\$44.7 million. Further, our Group estimates that the aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$0.79, being the mid-point of the indicative Offer Price range) shall be approximately HK\$52.8 million. Accordingly, our Directors are of the view that our Group has sufficient internal resources to cover the WBDB requirements for future projects, if necessary.

On 20 March 2003, Mr. Yung entered into an agreement with HSBC to provide an unlimited personal guarantee to HSBC for the said bank's provision of banking facilities. For details in this regard, please refer to the paragraph headed "Relationship with Controlling Shareholders — Discontinued Transactions — Personal guarantee provided by Mr. Yung in relation to banking facilities of CCCL" in this prospectus. On 3 July 2017, our Group received a written confirmation from HSBC to release the unlimited personal guarantee provided by Mr. Yung. It is expected that the said guarantee will be released before Listing.

Operational independence

We have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, subcontractors, customers, marketing, sales and general administration resources, with the Controlling Shareholders and/or their close associates during the Track Record Period. No services, premises and facilities had been provided by the Controlling Shareholders and/or their close associates to our Group during the Track Record Period.

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the suppliers, subcontractors and customers of our Group during the Track Record Period.

Independence of management

Our Board comprises two executive Directors and four independent non-executive Directors.

Each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit, and in the best interests, of our Company, and does not allow any conflict to occur between his duties as a Director and his personal interest. 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 close 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 the quorum.

Four of the members of our Board are independent non-executive Directors, who are either well-educated, and have extensive experience in different areas, or professionals, and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of

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our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main function includes the provision of approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies, and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective associates after the Listing.

DISCONTINUED TRANSACTIONS

Consultancy Service by Ms. Lam Lai Yee to CCCL

In a letter of acceptance entered into between CCCL and Ms. Lam Lai Yee, the spouse of Mr. Yung, dated 4 July 2013, CCCL engaged Ms. Lam Lai Yee as its human resources/administration advisor, and provided consultancy service to CCCL from 14 May 2013 to 13 November 2013 for an advisor fee in the lump sum of HK\$100,800, payable in three instalments of HK\$33,600 each. Ms. Lam Lai Yee's duties included the provision of assistance and advice in relation to all CCCL's administration and human resources matters.

The engagement was ended on 13 November 2013, and all fees payable by CCCL thereunder had been fully settled as at the Latest Practicable Date.

Pursuant to a letter of acceptance entered into between CCCL and Ms. Lam Lai Yee dated 1 April 2014, Ms. Lam Lai Yee was engaged by CCCL as its human resources/administration advisor, and provided consultancy service to CCCL from 1 April 2014 to 31 March 2016 for a monthly service fee of HK\$10,000. Ms. Lam Lai Yee's duties included the provision of assistance, and advice in relation to all CCCL's administration and human resources matters by phone, email or on site for up to 15 hours per week.

The engagement was superseded by an employment contract entered into between CCCL and Ms. Lam Lai Yee on 1 April 2016, and all fees payable by CCCL under the said arrangement had been fully settled as at the Latest Practicable Date.

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Personal guarantee provided by Mr. Yung in relation to banking facilities of CCCL

On 20 March 2003, Mr. Yung entered into an agreement with HSBC to provide an unlimited personal guarantee to HSBC for the said bank's provision of banking facilities to CCCL, which is supported by the following assignment and mortgaged asset to serve as securities for the said banking facilities:

- (a) the residual value of an "All Monies" legal charge over the property: House G19 of Stage IV, Marina Cove, 380 Hiram's Highway, Hebe Haven, Sai Kung, New Territories, with Mr. Yung as the mortgagor. The said property has also been utilised to secure a home mortgage loan granted to Mr. Yung; and
- (b) an assignment of the HSBC Jade Global Generations Universal Life Insurance Plan dated 20 June 2014 (in name of Mr. Yung) to HSBC with an insured amount of USD750,000.

Our Company is still in negotiation stage with HSBC, and expects the said guarantee to be released upon Listing.

Video Production Service offered by Mr. Yung Ka Chi to CCCL

During the Track Record Period, CCCL engaged Mr. Yung Ka Chi, son of Mr. Yung, in the production of videos for CCCL on two occasions. There was no long-term agreement between CCCL and Mr. Yung Ka Chi in this regard, and CCCL had placed orders with Mr. Yung Ka Chi on separate occasions with relevant price and terms agreed between the relevant parties on a case-by-case basis.

On 16 February 2015, pursuant to a purchase order made by CCCL, CCCL engaged Mr. Yung Ka Chi to produce a video clip of CCCL at a consideration of HK\$125,000. The said consideration included all requisite costs and expenses for necessary equipment, fees for production personnel, resources and materials required for the processing of the film or video, and fees for transportation of the relevant parties to the project site of CCCL as and when necessary. The arrangement was completed on 21 April 2015, and all fees payable by CCCL under the said arrangement had been fully settled as at the Latest Practicable Date.

On 25 January 2016, pursuant to a purchase order made by CCCL, CCCL engaged Mr. Yung Ka Chi to produce a video clip of CCCL at a consideration of HK\$95,000. The said consideration included all requisite costs and expenses for necessary equipment, fees for production personnel, resources and materials required for the processing of the film or video, and fees for transportation of the relevant parties to the project site of CCCL as and when necessary. The arrangement was completed on 7 July 2016, and all fees payable by CCCL under the said arrangement had been fully settled as at the Latest Practicable Date.

Our Directors consider that the terms of the said arrangements were fair and reasonable and on normal commercial terms.

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Financial assistance by our Group to Mr. Yung

During the Track Record Period, our Group provided Mr. Yung with advances in the form of unsecured, interest-free loans with no fixed terms of repayment. Such advances amounted to approximately HK\$11,901,733 as at 31 January 2017 and was settled by Mr. Yung on 27 March 2017.

Our Directors (including our independent non-executive Directors) have confirmed that the transactions contemplated under the financial assistance provided by our Group to Mr. Yung are on normal commercial terms, fair and reasonable and in the interests of our Company and Shareholders as a whole taking into account that Mr. Yung has advanced various unsecured, interest-free Director's loans to our Group of an aggregate of HK\$14,149,000.

Financial assistance by Mr. Yung to CCCL

Description of the transaction

For admission and retention on the Specialist List for the award of public works contracts, the Government requires contractors to maintain such minimum working capital as the Government shall from time to time determine. To this effect, our Group maintained a working capital of HK\$14,149,000 for the WBDB by way of Director's loans. In such connection, during the period between 2009 and 2015, Mr. Yung made the following five unsecured, interest-free loans to CCCL in writing:

	Date	Amount (HK\$)
The 1st Loan	1 June 2009	3,000,000
The 2nd Loan	31 March 2011	700,000
The 3rd Loan	1 December 2011	1,052,000
The 4th Loan	17 June 2014	1,099,000
The 5th Loan	30 January 2015	8,298,000

(collectively, the "Loans")

The release of the Loans is subject to the consent of the WBDB being obtained upon completion of the relevant construction projects carried out by our Group. We have obtained consent from the WBDB on 15 February 2017 in relation to the repayment of the Loans by our Group, such that our Group shall maintain such working capital without the assistance of the Loans. Accordingly, our Group has, on 23 March 2017, made full repayments of the Loans to Mr. Yung in the sum of HK\$14,149,000. As a result, all outstanding advances payable by our Group to Mr. Yung was settled as at the Latest Practicable Date.

Our Directors (including our independent non-executive Directors) have confirmed that the transactions contemplated under the financial assistance received by our Group from Mr. Yung are in the ordinary and usual course of business of our Group, on normal commercial terms, fair and reasonable and in the interests of our Company and Shareholders as a whole.

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Guarantees provided by Mr. Yung to Customer F

Description of the transaction

According to industry practice, certain Main Contractors would require the subcontractor to provide guarantees to be given by the controlling shareholder (either an individual or an entity such as a company, as the case may be) of the subcontractor. As such, during the Track Record Period, as requested by the Main Contractor of two hospital projects in Hong Kong, Mr. Yung, being the then controlling shareholder of CEEL, provided the following two personal guarantees:

- (1) On 18 November 2015, pursuant to a sub-contractor agreement entered into between CEEL as the sub-contractor and the Main Contractor on 18 November 2015, Mr. Yung executed a deed of guarantee for the benefit of the Main Contractor, pursuant to the terms of which Mr. Yung shall be personally liable to the Main Contractor for all losses and/or expenses incurred, or to be incurred, by the Main Contractor as a result of any breach of the sub-contractor agreement by CEEL up to an amount of HK\$11,845,158.7.
- (2) On 2 June 2016, pursuant to a sub-contractor agreement entered into between CEEL as the sub-contractor and the Main Contractor on 2 June 2016, Mr. Yung executed a deed of guarantee for the benefit of the Main Contractor, pursuant to the terms of which Mr. Yung shall be personally liable to the Main Contractor for all losses and/or expenses incurred, or to be incurred, by the Main Contractor as a result of any breach of the sub-contractor agreement by CEEL up to an amount of HK\$1,522,500.

On 16 February 2017, our Group had obtained consent from Customer F to: (i) release the personal guarantee dated 2 June 2016 executed by Mr. Yung; and (ii) replace the personal guarantee dated 18 November 2015 executed by Mr. Yung with a surety bond covering an amount of HK\$2,873,550 and for the benefit of Customer F. Our Group is, currently, in the process of procuring the aforesaid release and replacement which are expected to be completed before Listing. As at the Latest Practicable Date, our Group was not engaged in any litigation, arbitration or claim, and does not have any disputes with the said contractor.

Our Directors (including our independent non-executive Directors) have confirmed that the personal guarantees provided to our Group by Mr. Yung are in the ordinary and usual course of business of our Group, on normal commercial terms, fair and reasonable, and in the interests of our Company and Shareholders as a whole.

CORPORATE GOVERNANCE MEASURES

Our Company shall adopt the following measures to manage any conflict of interests and to safeguard the interests of the Shareholders:

- (1) our independent non-executive Directors shall review the compliance with the Deed of Non-competition (as defined below) by our Controlling Shareholders on an annual basis;
- (2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (3) our Company shall disclose decisions on issues reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in our Company's annual reports;
- (4) our Controlling Shareholders shall make a declaration on compliance with the Deed of Non-competition annually in the annual report of our Company; and
- (5) the Articles provide that a Director shall absent himself from participating in Board meetings (nor shall he be counted in the quorum) and voting on any resolution of the Board approving any contract and/or arrangement and/or other proposal in which he or any of his close associates is materially interested unless a majority of the independent non-executive Directors expressly require him to attend.

Further, any transaction that is proposed between our Group and the Controlling Shareholders and/or their respective associates shall be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

With the measures set out above, our Directors believe that the interest of our Shareholders shall be protected.

COMPETING INTEREST

The Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Mr. Yung and Superior Ace (each the "**Covenantor**", and collectively, the "**Covenantors**") entered into a deed of non-competition dated 22 July 2017 (the "**Deed of Non-competition**"), in favour of our Group, with an aim to avoid any possible future competition between our Group and each of the Covenantors. Pursuant to the Deed of Non-competition, each of the Covenantors has jointly and severally, irrevocably and unconditionally undertaken and covenanted with our Company (for itself and as trustee of our subsidiaries) that during the period that the Deed of Non-competition remains effective, he and his associates shall not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest in any business which competes with the existing business engaged by our Group from time to time, save for the holding of not more than 5% of shareholding interest (individually or with his associates) in any company listed on a recognised stock exchange, and he or his associates are not entitled to appoint a majority of the directors or management of that company.

Each of the Covenantors further undertakes that if he and/or his associates are aware of any project or new business opportunity that may compete with the business or our Group, he and/or his associates shall refer such project or new business opportunity to our Group for consideration.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Company shall adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) our independent non-executive Directors shall review, on an annual basis, the above undertakings from the Covenantors, and to evaluate the effective implementation of the Deed of Non-competition; and
- (b) each of the Covenantors shall further undertake and covenant with our Company that:
 - (i) for so long as the Deed of Non-competition remains in effect, he shall promptly provide our Company such information as our Company may from time to time reasonably request to ascertain compliance by the Covenantors of their obligations under the Deed of Non-competition; and
 - (ii) if requested by our Company, he shall issue a letter to our Company confirming his full compliance with the relevant terms of the Deed of Non-competition, and consenting our Company's disclosure of the contents of such letter in the annual report of our Company, and/or such other documents as otherwise published by our Company.

The Deed of Non-competition is conditional on, and takes effect upon, the Listing.

The Deed of Non-competition shall terminate on the earliest date on which (i) our Company becomes wholly owned by the Covenantors, and/or their respective associates (whether individually or collectively); or (ii) the securities of our Company cease to be listed on the Stock Exchange, or any other stock exchange recognised under the SFO.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

Mr. Yung

Mr. Yung is a Director of our Company, and, therefore, a connected person of our Company as defined under the Listing Rules.

Ms. Lam Lai Yee

Ms. Lam Lai Yee, the spouse of Mr. Yung, is a close associate of Mr. Yung as defined under the Listing Rules, and, therefore, a connected person of our Company as defined under the Listing Rules.

Mr. Yung Ka Chung

Mr. Yung Ka Chung, son of Mr. Yung, is an associate of Mr. Yung as defined under the Listing Rules, and, therefore, a connected person of our Company as defined thereunder.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Our Company has entered into the following transactions with its connected persons which shall continue following the Listing, and, thereby, constitute continuing connected transactions of our Company which will be exempt from the annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Employment contract with Ms. Lam Lai Yee

Description of the transaction

On 1 April 2016 and 21 March 2017, Ms. Lam Lai Yee entered into written employment contract and a supplemental employment contract with CCCL, pursuant to the terms of which CCCL employed Ms. Lam Lai Yee as its human resources and administrative manager for three years starting on 1 April 2016 and ending on 31 March 2019, with a monthly salary of HK\$20,000 plus double pay equivalent to one month of basic salary. It is expected that Ms. Lam Lai Yee shall continue to be employed by CCCL at the same position upon, and following, the Listing. Our Directors estimate that the annual salary payable to Ms. Lam Lai Yee shall not exceed HK\$260,000, HK\$280,000 and HK\$300,000 for each of the years ending 30 September 2017, 30 September 2018 and 30 September 2019, respectively, as determined by our Directors with reference to the contractual amount payable to Ms. Lam Lai Yee under the said agreement, and the expected increase in her salary during the relevant period.

Our Directors (including our independent non-executive Directors) have confirmed that the contractual amount payable under the said employment contract has been arrived at after arm's length negotiation between the parties, and determined in the ordinary course of business based on normal commercial terms, and with reference to the prevailing market rates for employing such personnel, and the scope of human resources administration services as required by our Company, that the terms of the employment contract were entered into, and conducted, on normal commercial terms or better, and in the interests of our Company and Shareholders as a whole, and that the employment contract is entered into in the ordinary and usual course of business of our Group, and is fair and reasonable.

CONNECTED TRANSACTIONS

Implication under the Listing Rules

Since the applicable percentage ratios (other than the profits ratio) with respect to the transactions contemplated under the employment contract with Ms. Lam Lai Yee on an annual basis are less than 5% and the annual consideration is less than HK\$3,000,000, the transaction contemplated under the employment contract with Ms. Lam Lai Yee constitutes a de minimis continuing connected transaction under Rule 14A.76(1) of the Listing Rules, and is exempt from the annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules.

Tenancy agreement with Mr. Yung Ka Chung

Description of the transaction

On 1 October 2016, Mr. Yung Ka Chung, as landlord, and CEEL, as tenant, entered into a tenancy agreement, pursuant to the terms of which Mr. Yung Ka Chung agreed to lease to CEEL the premises of Flat 2 (No. 24 Man Wui Street), 6/F, Man Wah Building, Nos. 1–23 Man Ying Street, Nos. 2–24 Man Wui Street, Kowloon (the “**Jordan Premises**”) with a gross floor area of approximately 495 sq. ft., for a term of two years commencing on 1 October 2016 and terminating on 30 September 2018 (inclusive of both days) for use as staff quarters (the “**Jordan Tenancy Agreement**”).

Pursuant to the Jordan Tenancy Agreement, CEEL shall pay to Mr. Yung Ka Chung monthly rent in the sum of HK\$9,000 throughout the term of the Jordan Tenancy Agreement, inclusive of management fees, government rent and government rates. The monthly rent shall be payable in advance on the first day of each, and every, calendar month during the term of the Jordan Tenancy Agreement, and be charged by Mr. Yung Ka Chung as having been determined after arm's length negotiation between the parties by making reference to the prevailing market rates of similar properties in the vicinity. Norton Appraisals Limited, an independent valuer, has been engaged to confirm that the monthly rent payable to Mr. Yung Ka Chung under the Jordan Tenancy Agreement is consistent with the prevailing markets rates for similar properties in a similar location, or within the same vicinity, and is fair and reasonable.

Our Directors estimate that the annual rent payable to Mr. Yung Ka Chung under the Jordan Tenancy Agreement shall not exceed HK\$108,000 and HK\$108,000 for each of the years ending 30 September 2017 and 30 September 2018, respectively.

Our Directors (including our independent non-executive Directors), after taking into account the fact that the monthly rent under the Jordan Tenancy Agreement is, as per the view of an independent property valuer, at the prevailing market rate, confirm that the Jordan Tenancy Agreement was entered into in the ordinary and usual course of business of our Group, on normal commercial terms, and the terms of the Jordan Tenancy Agreement are fair and reasonable, and in the interests of our Company and Shareholders as a whole.

Implication under the Listing Rules

Since the applicable percentage ratios with respect to the transactions contemplated under the Jordan Tenancy Agreement with Mr. Yung Ka Chung on an annual basis are less than 5%, and the annual consideration is less than HK\$3,000,000, the transaction contemplated under the Jordan Tenancy

CONNECTED TRANSACTIONS

Agreement with Mr. Yung Ka Chung constitutes a de minimis continuing connected transaction under Rule 14A.76(1) of the Listing Rules, and is exempted from the annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules.

The Sole Sponsor has confirmed that the abovementioned transactions, which shall constitute continuing connected transactions upon the Listing, are in the ordinary and usual course of business of our Group, on normal commercial terms or better, are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of six Directors, comprising two executive Directors, and four independent non-executive Directors. The following table sets out relevant information regarding our Directors, senior management and staff:

Executive Directors

Name	Age	Position/Title	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or senior management
Yung On Wah (翁安華)	63	Executive Director, Chairman and Managing Director	12 October 2016	12 June 1987	attending to matters relating to the overall strategic management and development of our Group's business operations, marketing, business development and finance	N/A
Li Kar Fai Peter (李嘉輝)	52	Executive Director and Finance Director	23 November 2016	23 November 2016	responsible for the finance related matters of our Group	N/A

Note: Each of Mr. Yung and Mr. Li Kar Fai Peter was re-designated as executive Director on 14 December 2016.

Independent non-executive Directors

Name	Age	Position/Title	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or senior management
Chan Cho Chak (陳祖澤)	54	Independent non-executive Director	21 July 2017	21 July 2017	attending to the supervision of, and provision of independent judgment to, our Board	N/A
Chan Wing Fai (陳永輝)	39	Independent non-executive Director	21 July 2017	21 July 2017	attending to the supervision of, and provision of independent judgment to, our Board	N/A
Yan Wai Yan (殷偉仁)	55	Independent non-executive Director	21 July 2017	21 July 2017	attending to the supervision of, and provision of independent judgment to, our Board	N/A
Yeung Wai Lung (楊懷隆)	55	Independent non-executive Director	21 July 2017	21 July 2017	attending to the supervision of, and provision of independent judgement to, our Board	N/A

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Senior Management

Name	Age	Position/Title	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or senior management
Wong Siu Ming (黃紹明)	61	General Manager	April 1993	attending to the overseeing of management, administration, project execution and project cost control	N/A
Lam Kai Sing (林啟成)	59	Contracts Manager	June 1987	attending to tendering, purchasing, technical and management matters	N/A
Wong Tsz Kit (黃子傑)	35	Accounting Manager	October 2016	attending to the overseeing of matters relating to our Group's finance and accounts function and internal controls	N/A
Tsang Wing Chung (曾永忠)	53	Project Director	October 2012	attending to the management of our Group's projects	N/A
Tsea Kwok Cheung (謝國祥)	50	Senior Project Manager	April 1992	attending to the management of our Group's projects	N/A
Ng Ho Fai (吳浩輝)	44	Senior Project Manager	July 1996	attending to the management of our Group's projects	N/A
Wong Ka Kui (黃家駒)	65	Technical Coordinator	October 2016	attending to our Group's information system and the quality control	N/A
Lee Wing Hon (李永康)	59	Deputy General Manager	March 2017	attending to the overseeing of contractual matters for our Group's projects	N/A

Executive Directors

Mr. Yung On Wah (翁安華), aged 63, is our executive Director, Chairman and Managing Director. Mr. Yung is responsible for the overall strategic management and development of our Group's business operations, marketing, business development and finance. Mr. Yung has more than 25 years of experience in the E&M engineering services industry.

Mr. Yung commenced working as an apprentice and has gained extensive working experience. Eventually, he established and operated CCCL in June 1987, and CEEL in February 2010, respectively. Please refer to the section headed "History, Development and Reorganisation" in this prospectus for details.

During the Track Record Period, Mr. Yung was a director of Cornwall (Building Services) Engineering Limited, a company incorporated in Hong Kong on 11 March 2013 with an aim to conduct business operations in the field of E&M engineering commissioning and testing. The said company had not carried out business dealings previously, and was dissolved via deregistration on 11 March 2016.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Our Directors (including our independent non-executive Directors) confirm that our Group had no previous business dealings with the said company, and has been operating independently from the said company.

In the three years preceding the Latest Practicable Date, Mr. Yung had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Li Kar Fai Peter (李嘉輝), aged 52, is our executive Director and the Finance Director of our Group. Mr. Li was appointed as our Director on 23 November 2016, was re-designated as our executive Director and Finance Director on 14 December 2016, and is responsible for the finance related matters of our Group. Mr. Li was appointed as our company secretary on 23 November 2016.

Mr. Li has over 20 years of experience in auditing, corporate finance and accounting. Prior to joining our Group, he worked as a Staff Accountant with Price Waterhouse Company in August 1987, and left Price Waterhouse Company as an Audit Manager in May 1995. While working for Price Waterhouse Company, he had an opportunity to familiarise himself with the auditing and accountancy procedures employed by a wide range of companies in Hong Kong. From November 1997 to June 2001, he worked with Asia Aluminum Manufacturing Company Limited as a senior financial manager and company secretary. From February 2002 to February 2006 and from March 2007 to October 2011, he worked with Inno-Tech Holdings Limited (a company listed on GEM, stock code: 8202) as a qualified accountant and company secretary. From January 2016 to March 2016, he worked as the financial controller of Glory Flame Holdings Limited (a company listed on GEM, stock code: 8059).

Mr. Li is, currently, an independent non-executive director of Asia Coal Limited (a company listed on the Main Board, stock code: 835) since March 2006. He was an independent non-executive director of China Hanya Group Holdings Limited (formerly known as Brilliance Worldwide Holdings Limited) (a company listed on GEM, stock code: 8312) from November 2010 to May 2016, and Super Strong Holdings Limited (a company listed on GEM, stock code: 8262) from March 2016 to March 2017. Mr. Li obtained a Bachelor of Arts degree in Accountancy from the City Polytechnic of Hong Kong in November 1992, and has become an associate member of the HKICPA (formerly known as the Hong Kong Society of Accountants) since September 1997. Mr. Li had not held any other directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years preceding the Latest Practicable Date.

Independent non-executive Directors

Mr. Chan Cho Chak (陳祖澤), aged 54, is our independent non-executive Director. Mr. Chan was appointed as our independent non-executive Director on 21 July 2017, and is responsible for attending to the supervision of, and provision of independent judgment to, our Board.

Mr. Chan obtained a Professional Diploma in Accountancy from Hong Kong Polytechnic in November 1986. He became an associate of the HKICPA (formerly known as the Hong Kong Society of Accountants) in April 1992, an associate of the Association of Chartered Certified Accountants (formerly known as the Chartered Association of Certified Accountants) in October 1989, and a fellow thereof in October 1994. He is, currently, a practising member of the HKICPA, and a practising member of the Association of Chartered Certified Accountants.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chan has more than 20 years of professional experience in public accounting and company secretarial work. Prior to joining our Group, he worked as an Audit Assistant with Price Waterhouse Company in August 1986, and left Price Waterhouse Company as a Senior Consultant in July 1989. He founded Chan Fan & Co., Certified Public Accountants, in January 1995, and is currently a partner thereof.

In the three years preceding the Latest Practicable Date, Mr. Chan had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Chan Wing Fai (陳永輝), aged 39, is our independent non-executive Director. Mr. Chan was appointed as our independent non-executive Director on 21 July 2017, and is responsible for attending to the supervision of, and provision of independent judgment to, our Board.

Mr. Chan obtained a Bachelor of Business Administration degree (with honors) from Lingnan University in December 2001. He became a member of the Association of Chartered Certified Accountants in December 2004, a fellow thereof in December 2009, an associate of the HKICPA in April 2006, and an associate of the Taxation Institute of Hong Kong in July 2010. He is, currently, a practising member of the HKICPA, and a Member of the Taxation Institute of Hong Kong.

Mr. Chan has more than 15 years' professional experience in public accounting and secretarial work. He worked as an Audit Assistant with Anderson Li & Ho CPA in September 2001, and left Anderson Li & Ho CPA in August 2004 as an Audit Semi-Senior. From October 2004, he worked as an Audit Senior with CCIF CPA Limited. From July 2007, he worked as an Audit Senior with Moore Stephens Associates Limited. He rejoined CCIF CPA Limited as a Deputy Manager in January 2009. From January 2013 onwards. He worked as an Accountant with China Environmental Technology Holdings Limited (a company listed on the Main Board, stock code: 646). Mr. Chan started practicing under his own name Chan Wing Fai certified public accountant (practising), as a Certified Public Accountant from May 2014 onwards. From September 2014 to June 2015, he was the Company Secretary of Jin Bao Bao Holdings Limited (a company listed on the Main Board, stock code: 1239).

Save that Mr. Chan is currently an independent non-executive director of China Financial Services Holdings Limited (a company listed on the Main Board, stock code: 605), in the three years preceding the Latest Practicable Date, Mr. Chan had not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Ir. Yan Wai Yan (殷偉仁), aged 55, is our independent non-executive Director. Ir. Yan was appointed as our independent non-executive Director on 21 July 2017, and is responsible for attending to the supervision of, and provision of independent judgment to, our Board.

Ir. Yan obtained a Bachelor Degree in Mechanical Engineering from Sunderland Polytechnic in June 1989, and a Master of Science degree in Mechanical Engineering from the University of Hong Kong in December 2003.

Ir. Yan holds various professional qualifications in the engineering industry. He became a member of the Chartered Institution of Building Services Engineers in November 1993, a Chartered Engineer of the Engineering Council in February 1994, a member of the Hong Kong Institution of Engineers in April

DIRECTORS, SENIOR MANAGEMENT AND STAFF

1994, a Registered Professional Engineer of the Engineers Registration Board in July 1995, and a Registered Energy Assessor of the EMSD in June 2012. He is, currently, a Registered Professional Engineer under the Engineers Registration Board, and a Registered Energy Assessor of the EMSD.

Ir. Yan has been a director of Leading Consulting Engineers Ltd, a company he set up in September 2003.

In the three years preceding the Latest Practicable Date, Ir. Yan had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Yeung Wai Lung (楊懷隆), aged 55, is our independent non-executive Director. Mr. Yeung was appointed as our independent non-executive Director on 21 July 2017, and is responsible for attending to the supervision of, and provision of independent judgment to, our Board.

Mr. Yeung obtained a Bachelor of Arts degree in Accountancy from the City Polytechnic of Hong Kong in December 1994, and a Diploma in Legal Studies from School of Professional and Continuing Education, the University of Hong Kong in July 2006. He became a member of the Institute of Internal Auditors in January 1997, and was designated as a Certified Fraud Examiner by the Association of Certified Fraud Examiners in November 1997.

Mr. Yeung has more than 25 years of experience in audit work. He worked as an audit assistant with KPMG Peat Marwick (then known as Peat Marwick Mitchell & Co.) in August 1987, and left KPMG Peat Marwick as an accountant in August 1990. From August 1990 to April 2007, he worked with 3M Hong Kong Limited as an Audit Manager. From December 2007 to January 2011, he worked with New Macau Landmark Management Limited as an internal audit manager. From September 2011 to August 2016, he worked with SML Group Limited as an internal audit director.

In the three years preceding the Latest Practicable Date, Mr. Yeung had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Senior Management

Mr. Wong Siu Ming (黃紹明), aged 61, joined CCCL in April 1993 as a Senior Manager. He is, currently, our general manager, and a director of CCCL, and is responsible for attending to the overseeing of management, administration, project execution, and project cost control of our Group. Mr. Wong has over 30 years of experience in the E&M engineering services industry.

Mr. Wong obtained a Bachelor of Science degree in Electrical & Electronic Engineering from the University of Aston in Birmingham in July 1979, and was admitted as a member of the Hong Kong Institution of Engineers in March 1986.

Prior to joining our Group, Mr. Wong worked with General Electric Company of Hong Kong Limited as an engineer in the Electrical Contracts Division from October 1979 to August 1985. From August 1985 to July 1992, he was employed by the Ryoden Group, initially as an engineer for the air-

DIRECTORS, SENIOR MANAGEMENT AND STAFF

conditioning department of Ryoden Electric Engineering Co., Ltd., and later transferred to Ryoden Engineering Co., Ltd. in July 1988, promoted as senior engineer in April 1989, and was further promoted to the position of assistant manager in July 1990.

In the three years preceding the Latest Practicable Date, Mr. Wong had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Lam Kai Sing (林啟成), aged 59, joined CCCL in June 1987 as a Manager. He is, currently, our Contracts Manager and a director of CCCL and is responsible for attending to tendering, purchasing, technical and management matters of our Group.

Mr. Lam obtained a Higher Diploma in Electrical Engineering from Hong Kong Polytechnic in November 1980. He has over 25 years of experience in the E&M engineering services industry.

In the three years preceding the Latest Practicable Date, Mr. Lam had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Wong Tsz Kit (黃子傑), aged 35, joined our Group in October 2016 as an Accounting Manager, and is responsible for attending to the overseeing of matters relating to our Group's finance and accounts function and internal controls.

Mr. Wong obtained a Higher Diploma in Accountancy from the Vocational Training Council in July 2003, and a Bachelor of Arts degree in Accounting and Finance from Leeds Metropolitan University in July 2004. He has completed Professional Part 1 and Professional Part 2 of the Association of Chartered Certified Accountants Examination in June 2006.

Mr. Wong has over 12 years of experience in accounting work. Prior to joining our Group, he worked with L & C Partners CPA Limited as an Audit Assistant from September 2004 to February 2006. From March 2006 to September 2006, he worked with W.L. Wong & Co., CPA as an Audit Semi-senior. He worked with Cheng, Yeung & Co., CPA since September 2006 until September 2016, initially as an Audit Semi-senior, and was promoted to the position of Audit Senior in March 2008.

In the three years preceding the Latest Practicable Date, Mr. Wong had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Tsang Wing Chung (曾永忠), aged 52, joined CCCL in October 2012 as a Project Director. He is, currently, our Project Director, and is responsible for attending to the management of our Group's projects.

Mr. Tsang obtained from Hong Kong Polytechnic, a Higher Diploma in Electrical Engineering in November 1985, and an Associateship in Electrical Engineering in November 1986. He was admitted as a member of the Institution of Electrical Engineers and the Hong Kong Institution of Engineers in December 1994 and March 1995, respectively. He is, currently, also a Chartered Engineer of the Engineering Council, a Registered Professional Engineer of the Engineers Registration Board and a Registered Energy Assessor of the EMSD.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Tsang has over 30 years of experience in the E&M engineering services industry. Prior to joining our Group, he joined Meco Holdings Company Limited in August 1986 as Graduate Trainee, and left in June 1993 as Senior Engineer. From June 1993 to March 1994, he worked with Wong & Ouyang (Building Services) Ltd. as a building services engineer. From March 1994 to October 2012, he worked with Shun Cheong Electrical Engineering Co., Ltd. as Project Manager and left as Divisional Manager.

In the three years preceding the Latest Practicable Date, Mr. Tsang had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Tsea Kwok Cheung Eric (謝國祥), aged 50, joined CCCL in April 1992 as an Assistant Engineer. He is, currently, our Senior Project Manager, and is responsible for attending to the management of our Group's projects.

Mr. Tsea obtained a Higher Certificate in Electrical Engineering from Hong Kong Polytechnic in November 1991. He is, currently, a Registered Electrical Worker of the EMSD.

In the three years preceding the Latest Practicable Date, Mr. Tsea had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Ng Ho Fai (吳浩輝), aged 44, joined CCCL in July 1996 as an Assistant Engineer, and has since been working with CCCL. He is, currently, our Senior Project Manager responsible for attending to the management of our Group's projects.

Mr. Ng obtained a Higher Diploma in Electrical Engineering from the Hong Kong Polytechnic University in November 1996, and a Master of Science degree in Building Services Engineering from the University of Hong Kong in November 2008. He is, currently, a Registered Electrical Worker of the EMSD.

In the three years preceding the Latest Practicable Date, Mr. Ng had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Wong Ka Kui (黃家駒), aged 64, joined our Group in October 2016 as a Technical Coordinator, and is responsible for attending to our Group's information system and the quality control.

Mr. Wong obtained a Bachelor of Science degree in Electronic Engineering from the City University, London in July 1977, and a Doctor of Philosophy degree from University of Bath, England in April 1986. He obtained a Professional Certificate in Management from the Open University in December 1992. He is a member of the Institution of Electrical Engineers. He obtained the qualification of Microsoft Certified Systems Engineer from Microsoft Corporation in February 2001, and is, currently, a Chartered Electrical Engineer of the Institution of Electrical Engineers.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Wong has over 20 years of experience in the electricity distribution, in office administration and teaching of engineering at tertiary education level. His working experience prior to joining our Group is as follows:

Name of Firm/Company/ Government Department	Position Held	Period of Services (Month/year)	
		From	To
Eastern Electricity, England	Business Consultant in Technical Services	April 1995	September 1996
Comfort Technology (Asia) Limited, Hong Kong	Sales Support Consultant	April 2003	May 2007
Lingnan University, Hong Kong	Instructor	September 2007	September 2008
Vocational Training Council, Hong Kong	Teaching Associate	September 2008	August 2011
EFCC-Kong Fok Church, Hong Kong	Church Administration Supervisor	January 2011	December 2013
Hong Kong Institute of Technology, Hong Kong	Acting Academic Registrar	January 2014	September 2016

In the three years preceding the Latest Practicable Date, Mr. Wong had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Lee Wing Hon (李永康), aged 59, joined our Group in March 2017 as a Deputy General Manager, and is responsible for attending to the overall contractual matter for our projects with respect to electrical and mechanical works.

Mr. Lee obtained a Bachelor of Science degree in Mechanical Engineering from the University of Hong Kong in November 1981. He was elected as a member of the Chartered Institution of Building Services Engineers in October 1986, and became a chartered engineer of The Engineering Council in February 1988. He became a member of the Association of Professional Engineers of Ontario in October 1995, and a member of the Hong Kong Institution Of Engineers in March 1992. He was admitted as an associate member of the Hong Kong Institute of Arbitrators in November 2012.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lee has extensive experience in the building services engineering industry. His working experience prior to joining our Group is as follows:

Name of Firm/Company	Position Held	Period of Services (Month/year)	
		From	To
Wing Hong Contractors Limited	E&M Manager	September 1996	January 2012
Gammon Construction Limited	Building Services Manager	January 2012	November 2013
Hanison Construction Company Limited	Building Services Manager	November 2013	June 2015
Build King Construction Limited	Building Services Manager	June 2015	May 2016
Paul Y. (E&M) Contractors Limited	Project Manager (Building Services)	May 2016	March 2017

In the three years preceding the Latest Practicable Date, Mr. Lee had not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Li Kar Fai Peter, who is our executive Director and Finance Director, also acts as the company secretary of our Company. For further details of his biography, please refer to his biography as set out in the paragraph headed “Executive Directors” in this section above.

COMPLIANCE ADVISER

We have appointed Guoyuan Capital (Hong Kong) Limited on 15 December 2016 as our Group’s compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Group’s compliance adviser shall be advising us under the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including, but not limited to, share issues and share repurchases;
- where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus, or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where The Stock Exchange makes an inquiry with us regarding unusual movements in the price or trading volume of our Shares pursuant to Rule 13.10 of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The term of the appointment of our Company's compliance advisor shall commence on the Listing Date, and terminate on the date on which we distribute the annual report of our financial results for the first full financial year commencing after the Listing Date.

BOARD COMMITTEES

We have established the following committees comprising members of our Board: an audit committee, a remuneration committee, a nomination committee and a risk management committee. The committees operate in accordance with terms of reference established by our Board.

Audit Committee

Our Company has established an Audit Committee on 22 July 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are, inter alia, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises four members, namely, Mr. Yeung Wai Lung, Mr. Chan Wing Fai, Mr. Chan Cho Chak and Ir. Yan Wai Yan. Mr. Yeung Wai Lung, is the chairman of the Audit Committee.

Remuneration Committee

Our Company has established a Remuneration Committee on 22 July 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Remuneration Committee comprises six members, namely, Mr. Yung, Mr. Li Kar Fai Peter, Mr. Chan Wing Fai, Mr. Chan Cho Chak, Mr. Yeung Wai Lung, and Ir. Yan Wai Yan. Mr. Chan Cho Chak is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, inter alia, to make recommendations to our Company's Board on the terms of remuneration packages, bonuses and other compensation payable to our Company's Directors and senior management.

Nomination Committee

Our Company has established a Nomination Committee on 22 July 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Nomination Committee comprises six members, namely, Mr. Yung, Mr. Li Kar Fai Peter, Mr. Chan Wing Fai, Mr. Chan Cho Chak, Mr. Yeung Wai Lung, and Ir. Yan Wai Yan. Mr. Yung is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors.

Risk Management Committee

Our Company has established a Risk Management Committee on 22 July 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Risk Management Committee comprises the following six members: Mr. Yung, Mr. Li Kar Fai Peter, Mr. Chan Wing Fai, Mr. Chan Cho Chak, Mr. Yeung Wai Lung and Ir. Yan Wai Yan. Mr. Li Kar Fai Peter is the chairman of the Risk Management Committee. The primary duties of our Risk Management Committee are: (i) to advise our Board on risk-related issues; (ii) to oversee the risk management framework for purposes of identifying and dealing with the

DIRECTORS, SENIOR MANAGEMENT AND STAFF

risks encountered by our Company, including both business and financial risks; (iii) to review risk reports and breaches of risk management policies; and (iv) to review the effectiveness of our Company's intended risk control or mitigation measures.

DIRECTOR'S REMUNERATION

The aggregate amounts of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefit in kind and discretionary bonus) which are paid to our Directors in respect of FY2014, FY2015, FY2016 and 4M2017 were approximately HK\$1.0 million, HK\$1.2 million, HK\$1.2 million and HK\$0.5 million, respectively.

Our Company's policy concerning the remuneration of Directors is that the amount of remuneration shall be determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group.

The emoluments paid to our Group's five highest paid individuals (including Directors) in aggregate for FY2014, FY2015, FY2016 and 4M2017 were approximately HK\$5.4 million, HK\$6.2 million, HK\$6.3 million and HK\$2.8 million, respectively. During the Track Record Period, no emoluments was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of the Shareholders passed on 22 July 2017. The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contributions to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, shall enable our Group to reward our Group's employees, Directors and other selected participants for their contributions to our Group. This shall be in accordance with Chapter 17 of the Listing Rules, and other relevant rules and regulations. Further details of the Share Option Scheme are set out in the paragraph headed "Statutory and general information — Share Option Scheme" in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons shall, immediately following the completion of the Capitalisation Issue and the Share Offer, without taking into account the exercise of any options that may be granted under the Share Option Scheme, have an interest or short position in the Shares, or underlying Shares, which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who, 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 our Group:

Name	Nature of Interest	No. of Shares held	Approximate percentage of shareholding
Superior Ace	Beneficial owner	292,500,000	54.17%
Mr. Yung ⁽¹⁾	Interest in controlled corporation	292,500,000	54.17%
Greatly Success	Beneficial owner	112,500,000	20.83%
Mr. Ko ⁽²⁾	Interest in controlled corporation	112,500,000	20.83%

Notes:

- (1) Superior Ace, which owns 54.17% of the issued share capital of our Company, is owned as to 100% by Mr. Yung. By virtue of SFO, Mr. Yung is deemed to be interested in the Shares in which Superior Ace is interested.
- (2) Greatly Success, which owns 20.83% of the issued share capital of our Company, is owned as to 100% by Mr. Ko. By virtue of SFO, Mr. Ko is deemed to be interested in the Shares in which Greatly Success is interested.

Our Directors are not aware of any other person(s) who, immediately following completion of the Capitalisation Issue and the Share Offer, without taking into account the exercise of any options that may be granted under the Share Option Scheme, shall have an interest or a short position in the Shares, or underlying Shares, which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or shall be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group, and are, therefore, regarded as substantial shareholders under the Listing Rules.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

Number of Shares comprised in the authorised share capital: *HK\$*

<u>10,000,000,000</u> Shares	<u>100,000,000</u>
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Shares issued and to be issued, fully paid or credited as fully paid, upon completion of the Capitalisation Issue and the Share Offer: *HK\$*

10,000 Shares in issue as at the date of this prospectus	100
449,990,000 Shares to be issued pursuant to the Capitalisation Issue	4,499,900
<u>90,000,000</u> Shares to be issued pursuant to the Share Offer	<u>900,000</u>
<u>540,000,000</u> Shares in total	<u>5,400,000</u>

ASSUMPTIONS

The above tables assume that the Share Offer becomes unconditional and does not take into account of any additional Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and Repurchase Mandate as described below.

RANKING

The Offer Shares shall rank pari passu in all respects with all other Shares in issue as at the date of this prospectus, and in particular, shall rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions stated in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

- (i) 20% of the total number of shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer and
- (ii) the number of shares repurchased by our Company (if any) pursuant to the Repurchase Mandate.

SHARE CAPITAL

Our Directors may, in addition to the Shares which they are authorised to issue under this mandate, allot, issue and deal with the Shares pursuant to (a) a rights issue; (b) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by our Company or any securities which are exchangeable into Shares; (c) the exercise of the subscription rights under options granted under the Share Option Scheme or any other similar arrangement of our Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisors of our Company and/or any of its subsidiaries and/or other persons of Shares or rights to acquire Shares; or (d) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of our Company.

The Issue Mandate shall expire:

- at the conclusion of our Company's next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further details of the Issue Mandate, see the paragraph headed "A. Further Information about our Company and Our Subsidiaries — 3. Written resolutions of our then Shareholders passed on 22 July 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions stated in the paragraph headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer.

The Repurchase Mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further Information about our Company and Our Subsidiaries — 6. Repurchase of Shares by our Company" in Appendix IV to this prospectus.

SHARE CAPITAL

The Repurchase Mandate shall expire:

- at the conclusion of our Company's next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further information about the Repurchase Mandate, please refer to the paragraph headed "A. Further Information about our Company and Our Subsidiaries — 3. Written resolutions of our then Shareholders passed on 22 July 2017" in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our Group's audited combined financial information, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus (the "Combined Financial Information"). Our Group's Combined Financial Information has been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see the section headed "Risk Factors" in this prospectus.

OVERVIEW

We have been providing E&M engineering services in Hong Kong for more than 29 years, primarily focusing on electrical and ELV system works for both the private and public sectors. The electrical and ELV system works undertaken by us include supply, installation, testing and commissioning as well as maintenance of electrical and ELV system. We act as a subcontractor for installation works and a Main Contractor for maintenance works, respectively. As part of our ancillary services, we also undertake MVAC system works during the Track Record Period.

During the Track Record Period, we generally secured projects through tenders and our major customers were Main Contractors and Principal E&M Contractors of the construction industry in Hong Kong. Our projects can generally be classified into public sector projects and private sector projects. Public sector projects refer to construction works commissioned by the Government, the MTR Corporation Limited, the Hospital Authority and the Airport Authority, while private sector projects refer to those that are commissioned by individuals, privately-owned property development companies and commercial enterprises. Construction works commissioning departments and statutory bodies of the Government include the Development Bureau, Civil Engineering and Development Department, Drainage Services Department, Environment Protection Department, Highways Department, Architectural Services Department, Water Services Department, EMSD and Housing Authority. For FY2014, FY2015, FY2016 and 4M2017, total revenue derived from our customers amounted to approximately HK\$132.9 million, HK\$180.8 million, HK\$192.1 million and HK\$107.5 million, respectively.

RECENT DEVELOPMENT

Our Group's business model and revenue and cost structure have remained unchanged since 31 January 2017. Based on the unaudited management account for the eight months ended 31 May 2017, the turnover and net profit were approximately HK\$225.8 million and approximately HK\$25.4 million, respectively. Due to the completion and substantial completion of key projects with relatively high gross profit margin, namely Project 15, Project 28 and Project 21, respectively in FY2016 and commencement of new projects with relatively lower gross profit margins, our Directors expect that the gross profit

FINANCIAL INFORMATION

margins for the financial year ending 30 September 2017 may decrease. The gross profit margins of these projects in FY2016 were relatively higher due to the contribution from Project 15 and Project 28. Project 15 was completed during the period and had recognised some variation orders in its final account, whereas Project 28 was assigned with a short completion time. As at the Latest Practicable Date, the aggregate contract value of our projects in progress with contract period ending after the Latest Practicable Date amounted to approximately HK\$944.5 million. Our Group's revenue expected to be recognised from our Group's backlog projects for each year ending 30 September 2017 and 2018 are approximately HK\$290.5 million and HK\$462.3 million^(Note), respectively. Despite our Group anticipated approaching its full capacity in its operation in carrying out the ongoing projects in the year ending 30 September 2017, our Group continues tendering projects to demonstrate that our Group remain active in the market. Subsequent to the Track Record Period, our Group has submitted tenders for six contracts from five different customers with a total contract sum of approximately HK\$480 million. However, as at the Latest Practicable Date, our Group had not yet been awarded any new project after the Track Record Period due to our Group's tendering strategy of not offering a competitive price in the tender for projects commencing before October 2017 so that resources could be utilised to focus on the current on-going projects of our Group which are expected to be completed before October 2017.

Recently, our Group has submitted tenders, or expressed interest for tendering of, among others, three potential projects with Customer F and Customer H; and one awarded project pending formal contract documents to be executed with Customer F. Our management has confidence to secure these projects because of our implicit recognition with our major customers working as a strategic business partner to assist in bidding for new projects in the market at the outset. For further details, please refer to the section headed "Business — Engineering Projects" in this prospectus.

Our Directors are responsible for the preparation of our unaudited condensed consolidated financial statements for the eight months ended 31 May 2017 in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our condensed consolidated financial statements for the eight months ended 31 May 2017 have been reviewed by our reporting accountants, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. On 1 November 2016, a member of our Group declared a dividend of HK\$23.0 million to its then shareholder. Such dividend had been paid to the shareholder on 9 January 2017 and 28 March 2017 in the amount of HK\$11.0 million and HK\$12.0 million, respectively. On 1 November 2016, HK\$10.0 million was injected into our Group as part of the Pre-IPO Investment. On 16 February 2017, we completed the sale of Unit 4 with podium roof, 2/F, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong to an Independent Third Party at market price with a gross sale proceeds of HK\$6.1 million and recognised a gain of approximately HK\$4.1 million for the said sale.

Note: The revenue of the year ending 30 September 2017 and 30 September 2018 include revenue of approximately HK\$3.1 million and HK\$128 million, respectively to be generated from a project which has been awarded but pending execution of formal contractual documents that are under preparation. As at the Latest Practicable Date, this awarded project was in contract execution stage and our Directors expect that the formal contractual documents to be executed in September 2017.

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Apart from the outstanding claim in respect of an employee's injuries took place on 5 February 2013, details of which please refer to the paragraph headed "Business — Litigation and Potential Claims" in this prospectus, as at the Latest Practicable Date, no member of our Group nor any of our Directors were subject to any claims, potential claims, litigations, arbitrations, bankruptcy, receivership proceedings, which are of material importance to our Group's development.

As far as our Directors are aware, there have been no changes in the general economic or market conditions or in the E&M engineering service market in Hong Kong as a whole, which would have a material and adverse impact on our business operations or financial condition since 31 January 2017 (being the date to which the latest audited combined financial statements of our Group were made up) to the date of this prospectus.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the laws of the Cayman Islands on 12 October 2016. Through a corporate reorganisation as further explained in the section headed "History, Development and Reorganisation — Reorganisation" in this prospectus (the "**Reorganisation**"), our Company became the holding company of the subsidiaries now comprising our Group on 24 November 2016. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 30 September 2014, 2015 and 2016 and 31 January 2017 present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates. The combined financial statements, which are presented in Hong Kong dollars, have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the Cap. 622 Companies Ordinance. HKFRSs include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations.

The Combined Financial Information has been prepared by our Directors based on consolidated financial statements of our Group.

CRITICAL ACCOUNTING POLICIES

Our Group has identified certain accounting policies that are significant to the preparation of the combined financial information in accordance with HKFRSs. These significant accounting policies which we believe are important for an understanding of the financial condition and results of operation of our Group. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions. Our management has identified certain accounting policies and estimates that are most critical to the preparation of our financial information. Please refer to notes 4 and 5 of Section A to the Accountant's Report in Appendix I to this prospectus for details.

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SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of profit or loss and other comprehensive income for the Track Record Period set forth below is extracted from, and should be read in conjunction with, the Accountants' Report included in Appendix I to this prospectus.

	Year ended 30 September			Four months ended 31 January	
	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)	
Revenue	132,884	180,760	192,139	42,212	107,462
Cost of sales	<u>(110,640)</u>	<u>(136,101)</u>	<u>(145,302)</u>	<u>(30,313)</u>	<u>(87,099)</u>
Gross profit	22,244	44,659	46,837	11,899	20,363
Other income	12	6	5	4	—
Other gains and losses	—	(1,486)	206	25	(32)
Administrative expenses	(7,686)	(9,349)	(9,980)	(2,965)	(4,422)
Listing expenses	—	—	(700)	—	(7,300)
Finance costs	<u>(618)</u>	<u>(227)</u>	<u>(33)</u>	<u>(7)</u>	<u>(4)</u>
Profit before taxation	13,952	33,603	36,335	8,956	8,605
Taxation	<u>(2,259)</u>	<u>(5,539)</u>	<u>(5,967)</u>	<u>(1,118)</u>	<u>(2,687)</u>
Profit and total comprehensive income for the year/period	<u>11,693</u>	<u>28,064</u>	<u>30,368</u>	<u>7,838</u>	<u>5,918</u>
Profit and total comprehensive income for the year/period attributable to:					
Owners of our Company	11,693	28,064	29,413	7,838	5,918
Non-controlling interests	<u>—</u>	<u>—</u>	<u>955</u>	<u>—</u>	<u>—</u>
	<u>11,693</u>	<u>28,064</u>	<u>30,368</u>	<u>7,838</u>	<u>5,918</u>

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus.

FINANCIAL INFORMATION

Market demand

Our results of operations are directly affected by our revenue which depends on the market demand for our E&M engineering services works. Market demand for our services is affected by the Hong Kong Government's spending budget on public works and other macroeconomic factors. During the Track Record Period, our revenue was significantly influenced by the size and number of E&M engineering projects undertaken by us.

Pricing of our E&M engineering projects and variation orders

The E&M engineering projects undertaken by us are normally awarded by way of invitation from our customers who are mainly the Main Contractors in Hong Kong. We determine our price taking into consideration of various factors, including but not limited to the scale, complexity and specifications of the projects, our capacity, the estimated project cost (which mainly includes subcontracting fees, material costs and staff cost), historical fees we received for similar projects, the current fee level in the market and competitive conditions at the contract negotiation stage. While it is our objective to charge a reasonable price to maximise the Shareholders' value, offering a less competitive price than our competitors may render our quotation unsuccessful. Offering a price below the actual cost may on the other hand erode or eliminate our gross profit and affect our financial results. Failure to balance the various factors in determining price will adversely affect our financial performance and results of operation.

In addition, we may be given variation orders where our customers amend the specification and scope of works from that originally contracted. A variation order may increase, omit or vary the original scope of work and adjust the original contract sum. We estimate the costs of each variation order and may negotiate with the customers for the charge of additional costs incurred. Variation orders may affect our profit margin as prices for additional purchases or subcontracting services have to be negotiated with our suppliers and subcontractors, and we may not be able to maintain the same gross profit margin for a variation order as that for the original contract as a result of higher material costs or subcontracting fees.

Unexpected fluctuation in contract costs

The E&M engineering projects undertaken by us are normally awarded by way of invitation from our customers. We need to estimate the work time and costs in order to determine the quotation price. The main components of our estimated project costs are subcontracting fees and materials costs. We engage subcontractors for physical installation works relating to our E&M engineering projects. The actual costs of service may deviate from our estimation. There may be fluctuations in the contract costs during the actual implementation of the project. In the event that the contract costs increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected. We also purchase materials from our suppliers, such as electric cables, lighting equipment which are in turn dependent on the prices of the underlying commodities such as copper and steel.

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Our most significant costs of sales are subcontracting fees and cost of materials. During the Track Record Period, the subcontracting fees and cost of materials accounted for approximately 82.7%, 83.8%, 82.4% and 85.1% of our total costs of sales, respectively. The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our subcontracting fees and cost of materials on our profit before taxation during the Track Record Period, assuming all other variables remained constant. Fluctuations in our subcontracting fees are assumed to be 3%, 6% and 9%, which are determined by reference to the historical fluctuations in our subcontracting fees during the Track Record Period. Fluctuations in our material costs are assumed to be 5%, 10% and 15%, which are determined by reference to the historical fluctuations in the prices of our major materials during the Track Record Period.

Hypothetical fluctuations of our subcontracting fees

	+/-3%	+/-6%	+/-9%
	HK\$'000	HK\$'000	HK\$'000
<i>Increase/decrease in subcontracting fees</i>			
FY2014	+/-1,538	+/-3,077	+/-4,615
FY2015	+/-1,852	+/-3,705	+/-5,557
FY2016	+/-2,809	+/-5,618	+/-8,427
4M2016	+/-467	+/-935	+/-1,402
4M2017	+/-1,662	+/-3,324	+/-4,986

Decrease/increase in profit before taxation

FY2014	-/+1,538	-/+3,077	-/+4,615
FY2015	-/+1,852	-/+3,705	-/+5,557
FY2016	-/+2,809	-/+5,618	-/+8,427
4M2016	-/+467	-/+935	-/+1,402
4M2017	-/+1,662	-/+3,324	-/+4,986

Hypothetical fluctuations of our cost of materials

	+/-5%	+/-10%	+/-15%
	HK\$'000	HK\$'000	HK\$'000
<i>Increase/decrease in material costs</i>			
FY2014	+/-2,013	+/-4,026	+/-6,040
FY2015	+/-2,616	+/-5,231	+/-7,847
FY2016	+/-1,309	+/-2,618	+/-3,927
4M2016	+/-310	+/-619	+/-929
4M2017	+/-936	+/-1,872	+/-2,807

Decrease/increase in profit before taxation

FY2014	-/+2,013	-/+4,026	-/+6,040
FY2015	-/+2,616	-/+5,231	-/+7,847
FY2016	-/+1,309	-/+2,618	-/+3,927
4M2016	-/+310	-/+619	-/+929
4M2017	-/+936	-/+1,872	-/+2,807

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was principally derived from provision of electrical and ELV system services to our customers for public and private sectors in Hong Kong. During the Track Record Period, our major customers are contractors in the private sector in Hong Kong. For FY2014, FY2015, FY2016 and 4M2017, revenue derived from the customers in the private sector accounted for approximately 74.3%, 61.2%, 84.3% and 64.5% of our total revenue, respectively.

	Year ended 30 September						Four months ended 31 January			
	2014		2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private	98,740	74.3	110,572	61.2	162,008	84.3	35,087	83.1	69,295	64.5
Public	34,144	25.7	70,188	38.8	30,131	15.7	7,125	16.9	38,167	35.5
	<u>132,884</u>	<u>100.0</u>	<u>180,760</u>	<u>100.0</u>	<u>192,139</u>	<u>100.0</u>	<u>42,212</u>	<u>100.0</u>	<u>107,462</u>	<u>100.0</u>

For FY2014, FY2015, FY2016 and 4M2017, revenue derived from hospital related projects accounted for approximately 92.2%, 61.9%, 70.2% and 43.8%, respectively.

	Year ended 30 September						Four months ended 31 January			
	2014		2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hospital	122,584	92.2	111,828	61.9	134,870	70.2	25,246	59.8	47,079	43.8
Non-Hospital	10,300	7.8	68,932	38.1	57,269	29.8	16,966	40.2	60,383	56.2
	<u>132,884</u>	<u>100.0</u>	<u>180,760</u>	<u>100.0</u>	<u>192,139</u>	<u>100.0</u>	<u>42,212</u>	<u>100.0</u>	<u>107,462</u>	<u>100.0</u>

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Our Group completed 18 contracts during the Track Record Period. As at the Latest Practicable date, our Group had 6 contracts on hand (including contracts in progress with contract period ending after the Latest Practicable Date) with an aggregate contract sum of approximately HK\$944.5 million, of which approximately HK\$124.0 million (excluding variations and claims) had been recognised as revenue during the Track Record Period and the amount of revenue expected to be recognised from these contracts on hand after the Track Record Period is approximately HK\$820.5 million. For further details of our contracts completed and contracts on hand, please refer to the following table:

Project code	Particulars of project (Note 1)	Sector	Project period (Note 2)	Awarded contract sum HK\$'000 (Note 3)	Amount of revenue recognised during the Track Record Period HK\$'000	Status as at 31 January 2017
Project 1	Shop in Causeway Bay	Private	01/09/2011–04/12/2013	3,311	53	Completed
Project 3	Hospital in Kowloon East	Public	19/05/2015–31/12/2015	530	848	Completed
Project 4	Hospital in Kowloon West*	Public	21/09/2012–31/12/2013	137,545	15,347	Completed
Project 6	Hospital in Kowloon West	Public	21/09/2012–31/12/2013	132,455	14,330	Completed
Project 7	Commercial Building in Central	Private	06/04/2011–25/01/2016	7,164	633	Completed
Project 8	Commercial Building in Chek Lap Kok	Private	01/08/2011–08/01/2014	16,380	915	Completed
Project 9	Government building in Tseung Kwan O	Public	12/2015–30/04/2016	368	368	Completed
Project 10	Hospital in Kowloon West	Private	23/11/2012–14/06/2016	53,800	48,941	Completed
Project 11	Institutional Building in Shatin	Private	4/4/2011–31/10/2013	66,501	1,864	Completed
Project 12	Hospital in New Territories East	Public	24/10/2013–28/02/2014	1,336	3,462	Completed
Project 13	Hospital in New Territories West	Public	04/04/2014–18/06/2014	237	233	Completed
Project 14	Hospital in New Territories West	Private	25/03/2014–21/01/2016	12,000	12,031	Completed
Project 15	Hospital in New Territories West	Private	25/03/2014–21/01/2016	145,000	145,447	Completed

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Project code	Particulars of project <i>(Note 1)</i>	Sector	Project period <i>(Note 2)</i>	Awarded contract sum <i>HK\$'000</i> <i>(Note 3)</i>	Amount of revenue recognised during the Track Record Period <i>HK\$'000</i>	Status as at 31 January 2017
Project 16	Government building in Yau Ma Tei	Public	28/06/2013–04/01/2016	74,943	79,459	Completed
Project 17	Government building in Yau Ma Tei	Public	04/2015–04/12/2015	1,455	1,489	Completed
Project 18	Hospital in Kowloon East	Public	01/07/2016–09/2017 <i>(Expected)</i>	84,200	22,518	In progress
Project 19	Hospital in Kowloon East	Public	09/10/2016–09/2017 <i>(Expected)</i>	52,808	10,651	In progress
Project 20	Hospital in Kowloon West	Public	01/11/2014–06/2017	2,016 <i>(Note 6)</i>	2,072 <i>(Note 6)</i>	In progress
Project 21	Hospital in Southern District	Private	18/11/2015–16/01/2017	114,942	120,463	Completed
Project 22	Hospital in Southern District	Private	18/11/2015–16/01/2017	20,300	15,760	Completed
Project 23	School in Repulse Bay*	Private	11/11/2015–07/2017 <i>(Expected)</i>	42,572	32,239	In progress
Project 25	School in Repulse Bay	Private	11/11/2015–07/2017 <i>(Expected)</i>	57,480	37,627	In progress
Project 26	Commercial building in North Point	Private	10/09/2015–05/2017	9,800	7,338	In progress
Project 27 <i>(Note 7)</i>	Government building in Kowloon West	Public	26/09/2016–01/2019 <i>(Expected)</i>	521,402	20,955	In progress
Project 28	Residential building in Pok Fu Lam	Private	02/12/2015–31/03/2017	11,863	12,596	In progress
Project 29 <i>(Note 8)</i>	Government building in Ngau Tau Kok	Public	22/06/2017–06/2019 <i>(Expected)</i>	186,000	0	Pending commencement of site work
Project 30	Hospital on Hong Kong Island	Private	1/12/2012–31/12/2016 <i>(Note 4)</i>	1,808 <i>(Note 5)</i>	3,943 <i>(Note 5)</i>	Completed
Awarded project pending formal contract documents to be executed						
<i>(Note 9)</i>	Government building in Kowloon West	Public	09/2017–11/2018 <i>(Expected)</i>	190,600	687	In progress

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Notes:

1. All projects above are electrical and ELV system installation work or maintenance work-related projects, except MVAC system work/materials related projects which are marked with an asterisk (*).
2. Unless otherwise specified, project period refers to the period from the date of commencement of the main contracts, or the subcontracting contracts between our customers and us, to the date of completion of our works in such project stipulated on our record, in the payment certificates or the final accounts issued by our customers or their authorised representative(s) or the expected date of completion of our scope of works as stipulated in the relevant contracts or communications between our customers and us or in the certificate of completion or substantial completion certificate issued to the Main Contractor.
3. Awarded contract sum refers to the contract value as stated in the original contract (and amended between the parties thereto, where applicable and is subject to adjustments due to variation orders and prolongation of the project period).
4. During the Track Record Period, we entered into three maintenance contracts.
5. The contract specifies the monthly fee and that purchase orders are needed before commencement of additional works. During the Track Record Period, the amount of work certified under the contract was approximately HK\$1.3 million recognised. Also, there were certified purchase orders amounted to approximately HK\$2.6 million recognised during the Track Record Period.
6. The contract specifies the monthly fee and that purchase orders are needed before commencement of additional works. During the Track Record Period, the amount of work certified under the contract was approximately HK\$1.7 million with an outstanding contract sum of HK\$0.3 million expected to be recognised after the Track Record Period. Also, there were certified purchase orders amounted to approximately HK\$0.3 million recognised during the Track Record Period.
7. This project is an on-going project with the HCA Group. The amount of payments received by our Group for Project 27 as at 30 June 2017 was HK\$38,069,951. During the Track Record Period, all of the approximately HK\$21 million of revenue recognised from this project had been timely received by our Group.
8. This project is an on-going project with the HCA Group. Our Group acts as a sub-subcontractor under Hsin Chong Aster, which in turn acts as a subcontractor of the Main Contractor in this project. The Main Contractor is a joint venture formed by Co A and another listed company. In the event the HCA Group's ultimate holding company's financial situation deteriorates, the other partner of the joint venture (Main Contractor) will jointly and severally be responsible for the progress payment to Hsin Chong Aster and then to our Group accordingly. The progress payments from Hsin Chong Aster are independently approved by the joint venture (Main Contractor) rather than solely by Co A. Our Group received written confirmation on 17 July 2017 from Hsin Chong Aster that it gives consent to our Group in obtaining progress payment from the joint venture (Main Contractor) or the joint venture partner on its behalf, in the event that the financial situation of the ultimate holding company of the HCA Group deteriorates.
9. This project is an awarded project pending formal contract documents to be executed.

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Cost of sales

Cost of sales primarily consists of (i) subcontracting fees; (ii) material costs; (iii) staff cost; and (iv) other direct costs. The following table sets out a breakdown of our contract costs during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	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)									
Subcontracting										
fees	51,279	46.3	61,747	45.4	93,633	64.4	15,582	51.4	55,404	63.6
Material costs	40,264	36.4	52,313	38.4	26,178	18.0	6,193	20.4	18,716	21.5
Staff cost	16,258	14.7	19,627	14.4	22,362	15.4	7,499	24.7	11,122	12.8
Other direct costs	<u>2,839</u>	<u>2.6</u>	<u>2,414</u>	<u>1.8</u>	<u>3,129</u>	<u>2.2</u>	<u>1,039</u>	<u>3.5</u>	<u>1,857</u>	<u>2.1</u>
Total	<u><u>110,640</u></u>	<u><u>100.0</u></u>	<u><u>136,101</u></u>	<u><u>100.0</u></u>	<u><u>145,302</u></u>	<u><u>100.0</u></u>	<u><u>30,313</u></u>	<u><u>100.0</u></u>	<u><u>87,099</u></u>	<u><u>100.0</u></u>

Subcontracting fees mainly consist of the fees paid and payable to our subcontractors who provide installation services for our E&M engineering projects. From time to time, we procure certain services from third party service providers for parts of the works of our contract which require special equipment and skilled labour and such subcontractors may sometimes source and supply materials for those subcontracting projects.

Materials costs mainly consist of our purchases of electric cables, lighting equipment, power generator, and other electrical and electronic devices being installed in our E&M engineering projects. The amount and timing of materials to be ordered usually depend on the progress of works and specific requirements of each project, and, accordingly, we do not maintain inventory for our E&M engineering business.

Our staff cost mainly consists of our staff cost incurred for our project managers and engineering staff who are directly responsible for our project tendering, contracting and daily management of the site.

Other direct costs mainly consist of the charges for testing and commissioning, insurances, storage and delivery, machinery hire and site clearance.

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Gross profit and gross profit margin

The following table sets forth breakdowns of our gross profit and gross profit margin by sector during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2014		2015		2016		2016		2017	
	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	%
	(unaudited)									
Private	16,560	16.8	19,466	17.6	37,497	23.1	9,889	28.2	13,493	19.5
Public	<u>5,684</u>	16.6	<u>25,193</u>	35.9	<u>9,340</u>	31.0	<u>2,010</u>	28.2	<u>6,870</u>	18.0
	<u>22,244</u>	16.7	<u>44,659</u>	24.7	<u>46,837</u>	24.4	<u>11,899</u>	28.2	<u>20,363</u>	18.9

During FY2014 to FY2016, there was an increasing trend of our gross profit due to gross profit growth in our private sector projects and one of our public projects, namely Project 16, which was substantially completed in FY2015. As a result of the aforesaid public project, our gross profit margin in public sector projects increased from approximately 16.6% in FY2014 to 35.9% in FY2015, and decreased to approximately 31.0% in FY2016 as Project 16 was completed during the year. Notwithstanding the decrease in gross profit and gross profit margin of our public sector projects in FY2016, we recorded increase of gross profit margin of our private sector projects from 17.6% in FY2015 to 23.1% in FY2016 due to substantial completion of several private sector projects with high gross profit margin, including Project 21, Project 28 and Project 15. Project 21 achieved considerable cost savings in material procurement. Project 28 was assigned with a short completion time. Project 15 was completed during the period and had recognised some variation orders in its final account. Due to the short completion time requirements in Project 28, our Group had included a premium in the tender price to account for additional resources and manpower to accommodate the specific requirement to complete the project on an urgent basis. The relative high gross profit margin was the result of additional premium in tender price and efficient control of additional resources and manpower in the completion of Project 28.

Our gross profit increased to approximately HK\$20.4 million for 4M2017 from approximately HK\$11.9 million for 4M2016. It was mainly attributed to two private sector projects, namely Projects 23 and 25, and two public sector projects, namely Projects 18 and 19. All these four projects have accounted for approximately 78.0% of our gross profit in 4M2017 and they are expected to be completed in the second half of 2017.

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The following table sets forth breakdowns of our gross profit and gross profit margin by types of projects during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2014		2015		2016		2016		2017	
	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	%
Hospital	19,618	16.0	20,041	17.9	32,731	24.3	6,488	25.7	8,580	18.2
Non-Hospital	<u>2,626</u>	25.5	<u>24,618</u>	35.7	<u>14,106</u>	24.6	<u>5,411</u>	31.9	<u>11,783</u>	19.5
	<u>22,244</u>	16.7	<u>44,659</u>	24.7	<u>46,837</u>	24.4	<u>11,899</u>	28.2	<u>20,363</u>	18.9

Hospital related project

Our gross profit in hospital related projects increased from approximately HK\$19.6 million in FY2014 to approximately HK\$20.0 million in FY2015, and further increased to approximately HK\$32.7 million in FY2016. During the Track Record Period, we had partly completed hospital related projects, namely Project 10 and Project 15 in FY2014, accounting for approximately 76.5% of our total gross profit of hospital related in FY2014. We have substantially completed and completed hospital related projects, namely, Project 15 and Project 10, respectively in FY2015, contributing approximately 96.5% of our total gross profit of hospital related. In FY2016, we have substantially completed and completed hospital related projects, namely Project 21 and Project 15, respectively, which have contributed more than approximately 80.0% of our total gross profit of hospital related projects. Our gross profit in hospital related projects increased from approximately HK\$6.5 million in 4M2016 to approximately HK\$8.6 million in 4M2017 due to the contribution from Project 18 and Project 19 which had partly completed in 4M2017.

Our gross profit margin in hospital related projects increased from approximately 16.0% in FY2014 to approximately 17.9% in FY2015 and further increased to approximately 24.3% in FY2016. Such increase was attributable to the aforesaid hospital related projects, namely Project 10, Project 15 and Project 21. Our gross profit margin in the hospital related projects decreased from approximately 25.7% for 4M2016 to approximately 18.2% for 4M2017 due to the completion of Project 15 and substantial completion of Project 21 which resulted higher profit margins in FY2016 and new projects for 4M2017 are not as profitable comparing to Project 15 and Project 21.

Non-hospital related project

For non-hospital related projects, we focus on design and build projects. Our Group had achieved relatively high gross profit during the respective period due to efficient cost control of additional resources and manpower in the completion of the respective projects from the beginning of the project involving in Design and Build.

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Our gross profit generated from non-hospital related projects increased from approximately HK\$2.6 million in FY2014 to approximately HK\$24.6 million in FY2015 was mainly related to Project 16. As Project 16 had been substantially completed in FY2015, contributing to the majority of the increase in gross profit for non-hospital related projects. Our gross profit dropped from HK\$24.6 million FY2015 to HK\$14.1 million in FY2016 was again due to the substantial completion of Project 16 in FY2015. Our gross profit in the non-hospital related projects increased from approximately HK\$5.4 million for 4M2016 to approximately HK\$11.8 million for 4M2017. Such increase was mainly attributable to partial completion of Project 23, Project 25 and Project 27 (an on-going project with the HCA Group).

Our gross profit margin for non-hospital related projects increased from approximately 25.5% in FY2014 to approximately 35.7% in FY2015 as a result of substantial completion of Project 16. In FY2016, our gross profit margin decreased to approximately 24.6%, which is the result of good performance in FY2015 due to Project 16 being completed during the period. Our gross profit margin for non-hospital related projects decreased from approximately 31.9% for 4M2016 to approximately 19.5% for 4M2017 due to the Project 28 with specific requirements which contributed relatively higher profit margin for 4M2016.

Please refer to the paragraph headed “Period to Period Comparison of Results of Operations” in this section below for a discussion of the fluctuation of our Group’s gross profit and gross profit margin during the Track Record Period.

Other income

Other income includes bank interest income and sundry income.

	Year ended 30 September						Four months ended 31 January			
	2014		2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Interest income	1	8.3	1	16.7	1	20.0	—	0.0	—	—
Others	11	91.7	5	83.3	4	80.0	4	100.0	—	—
	<u>12</u>	<u>100.0</u>	<u>6</u>	<u>100.0</u>	<u>5</u>	<u>100.0</u>	<u>4</u>	<u>100.0</u>	<u>—</u>	<u>—</u>

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Other gains and losses

Other gains and losses mainly include impairment on other receivables, gain on disposal of items of property, plant and equipment and exchange gain. During the Track Record Period, our Group has written off a receivable from our subcontractor of approximately HK\$1.6 million, details of which are disclosed under the paragraph headed “Other receivables, prepayment and deposits” in this section below.

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				HK\$'000	HK\$'000
				(unaudited)	
Impairment loss recognised in respect of other receivables	—	(1,611)	—	—	—
Gain on disposal of property, plant and equipment	—	125	116	—	—
Net exchange gain (loss)	—	—	90	25	(32)
	<u>—</u>	<u>(1,486)</u>	<u>206</u>	<u>25</u>	<u>(32)</u>

Administrative expenses

Administrative expenses consist primarily of staff cost, depreciation and legal and professional fee. The following table sets out a breakdown of our administrative expenses during the Track Record Period:

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				HK\$'000	HK\$'000
				(unaudited)	
Staff cost	4,507	5,761	5,857	1,920	3,123
Legal and professional fee	920	425	466	93	99
Depreciation	529	473	577	181	227
Business entertainment	296	521	565	157	150
Office supply	210	346	388	128	110
Motor vehicle expenses	201	216	355	103	124
Rent and rates	354	180	150	61	156
Auditors' remuneration	126	140	380	126	126
Building management fee	63	47	49	16	29
Insurance	30	112	76	—	80
Donation	—	267	234	29	70
Bank charges	61	140	162	60	69
Repairs and maintenance	38	83	16	3	8
Advertising	—	125	95	—	—
Tax Penalty	—	—	280	—	—
Others	351	513	330	88	51
	<u>7,686</u>	<u>9,349</u>	<u>9,980</u>	<u>2,965</u>	<u>4,422</u>

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Staff cost primarily include salaries, wages and bonuses, staff allowance, staff welfare, contributions to defined contribution retirement plan, leave pay of staff and directors' remuneration. Legal and professional fee represents legal fees, company secretarial fees, consultant and management fees incurred during the Track Record Period. Depreciation expenses are mainly related to our office and buildings, motor vehicles, furniture, fixtures and office equipment and leasehold improvements, which are not directly related to our engineering projects. Others mainly represent our Group's expenditures incurred for consumables and other utilities.

Finance costs

Finance costs represent interest expenses on interest-bearing bank loans and overdrafts. Our interest-bearing bank loans obtained during FY2014, FY2015, FY2016 and 4M2017 were mainly used to finance the purchase of motor vehicles. The bank borrowings are at floating rate which carry interest in the best lending rate minus 1.5% per annum. Interest for bank overdraft was charged at the best lending rate plus 3% per annum.

Taxation

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. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for FY2014, FY2015, FY2016 and 4M2017 were approximately 16.2%, 16.5%, 16.4% and 31.2%, respectively. The relatively high effective tax rate for the 4M2017 was mainly due to the effect of non-recurring listing expense of approximately HK\$7.3 million which is not deductible for tax purpose.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

4M2017 compared to 4M2016

Revenue

Our Group's revenue increased by approximately HK\$65.3 million or 154.7% from approximately HK\$42.2 million for 4M2016 to HK\$107.5 million. The aforesaid increase was mainly due to the contribution from Project 18, Project 19, Project 23, Project 25 and Project 27 (an on-going project with the HCA Group) while Project 21 was substantially completed in FY2016.

Cost of sales

Our cost of sales increased by approximately HK\$56.8 million or 187.5% from approximately HK\$30.3 million for 4M2016 to HK\$87.1 million for 4M2017. Such increase was mainly due to the increase of subcontracting fees and materials cost and was in line with the increase in revenue.

Subcontracting fees increased by approximately HK\$39.8 million or 255.1% from approximately HK\$15.6 million for 4M2016 to HK\$55.4 million for 4M2017.

Materials cost increased by approximately HK\$12.5 million or 201.6% from approximately HK\$6.2 million for 4M2016 to HK\$18.7 million for 4M2017.

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During 4M2017, the increase in cost of sales outweighs the increase in revenue primarily due to substantial completion of Project 21 during 4M2016 which had incurred a lower subcontracting and materials cost than those projects carried out during 4M2017.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$8.5 million from approximately HK\$11.9 million for 4M2016 to approximately HK\$20.4 million for 4M2017. Such increase was mainly due to the contribution from Project 18, Project 19, Project 23, Project 25 and Project 27 (an on-going project with the HCA Group). Increase in gross profits for 4M2017 was primarily attributable to the increase in revenue during 4M2017. Our gross profit margin decreased from approximately 28.2% for 4M2016 to approximately 18.9% for 4M2017. Such decrease was due to those projects carried out in FY2016 with relatively higher gross profit margin, namely Project 21 and Project 28. Project 21 achieved considerable cost savings in material procurement and Project 28 was assigned with a short completion time.

Other gains and losses

We recorded net exchange loss of HK\$0.03 million for 4M2017 but recorded net exchange gain of HK\$0.03 million for 4M2016, arising from the exchange of assets value at the period ended.

Administrative expenses

Our administrative expenses increased by approximately HK\$1.4 million or 46.7% to approximately HK\$4.4 million for 4M2017 from HK\$3.0 million for 4M2016. Such increase was primarily due to the increase in staff cost of approximately HK\$1.3 million as a result of annual salary increment and a one-off special bonus for the extra work load of preparation for Listing.

Finance costs

Finance costs mainly represent the interest charged on the finance lease. For 4M2017, finance cost decreased by approximately 42.9% to approximately HK\$4,000 due to the decrease of the principal amount of finance lease.

Taxation

Taxation increased by approximately HK\$1.6 million or 145.5%, to HK\$2.7 million for 4M2017 from HK\$1.1 million for 4M2016. The increase in income tax expense was mainly due to the increase in profit before taxation (excluding the listing expenses of approximately HK\$7.3 million) by approximately HK\$6.9 million or 76.7%, to HK\$15.9 million for 4M2017 from HK\$9.0 million for 4M2016 and the non-recurring listing expense of approximately HK\$7.3 million which is not deductible for tax purpose. Thus, the effective tax rate was 12.5% for 4M2016 and 31.2% for 4M2017.

Profit and total comprehensive income for the period

As a result of the foregoing and the listing expenses of approximately HK\$7.3 million charged to the consolidated statement of profit and loss and other comprehensive income for 4M2017, our profit for the period decreased to approximately HK\$5.9 million for 4M2017 from approximately HK\$7.8 million for 4M2016, representing a decrease of approximately 24.4%.

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FY2016 compared to FY2015

Revenue

Our Group's revenue increased by approximately HK\$11.3 million or 6.3% from approximately HK\$180.8 million in FY2015 to approximately HK\$192.1 million in FY2016. The aforesaid increase was mainly attributable to substantial completion of several new projects and in particular, we derived from Project 21 an aggregated revenue of approximately HK\$101.1 million for provision of electrical system installation works and variation orders during FY2016, comparing with an aggregated revenue of approximately HK\$4.6 million during FY2015.

Such increase in revenue was partly offset by the decrease in revenue from our ELV project in a private hospital, namely Project 15, which was substantially completed during the second half of FY2015 and thus, a lesser amount of subcontract sum was recognised in FY2016.

Cost of sales

Our cost of sales increased by approximately HK\$9.2 million or 6.8% from approximately HK\$136.1 million in FY2015 to approximately HK\$145.3 million in FY2016. Such increase was a result of the net effects of (i) the increase in our subcontracting fees, partially offset by the decrease of our material costs.

Our subcontracting fees increased from approximately HK\$61.7 million in FY2015 to approximately HK\$93.6 million in FY2016, representing an increase of approximately HK\$31.9 million or 51.7%. Such increase was primarily due to a subcontracting fee of approximately HK\$51.1 million charged to Project 21 in FY2016. Project 21 is a labour intensive project.

Our material costs decreased from approximately HK\$52.3 million in FY2015 to approximately HK\$26.2 million in FY2016, representing a decrease of approximately HK\$26.1 million or 50.0%. Such decrease was mainly due to the completion of our two sizable projects in FY2016, namely Project 15 and Project 16, which commenced in FY2014 and were in full swing in FY2015.

Gross profit and gross profit margin

Our gross profit increased by approximately 4.7% from approximately HK\$44.7 million in FY2015 to approximately HK\$46.8 million in FY2016, while our gross profit margin decreased from approximately 24.7% to approximately 24.4%. The increase in gross profit was primarily attributable to the substantial completion of several private sector projects with relatively high gross profit in FY2016, namely Project 21, Project 28 and Project 15, that in aggregate contributed more than 69.5% of our gross profit in FY2016. Project 21 achieved considerable cost savings in material procurement. Project 28 was assigned with a short completion time. Project 15 was completed during the period and had recognised some variation orders in its final account. Such increase was partially offset by the decrease in gross profit of Project 15 and Project 16 which have already been substantially completed in FY2015. Comparing with our Group's average gross profit margin, the gross profit margin of Project 15 and Project 16 in FY2015 was relatively higher than other private and public sector projects respectively and thus, notwithstanding that we recorded an overall increase in gross profit in FY2016, the decrease in gross profit by Project 15 and Project 16 outweighed such effect which led to a slight decrease in our gross profit margin in FY2016.

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Other gains and losses

We recorded aggregated gain of approximately HK\$0.21 million from disposal of property, plant and equipment and net exchange gain in FY2016 compared with an aggregated net loss of approximately HK\$1.5 million due to an impairment loss of other receivables of approximately HK\$1.6 million in FY2015. For details of the impairment loss of other receivables occurred in FY2015, please refer to paragraph headed “Other receivables, prepayments and deposits” in this section below.

Administrative expenses

Our administrative expenses increased by approximately 7.5% from approximately HK\$9.3 million in FY2015 to approximately HK\$10.0 million in FY2016. Such increase was mainly due to the tax penalty charged by the Inland Revenue Department in FY2016 in respect of the error occurred in our tax filing arising from our former employee’s overstatement on our expenses. For details, please refer to the paragraph headed “Breach of the Theft Ordinance, Chapter 210 of the Laws of Hong Kong (“**Theft Ordinance**”) by a Former Employee (“**Former Employee**”)” under the section headed “Business” in this prospectus.

Finance costs

Finance costs decreased from approximately HK\$227,000 in FY2015 to approximately HK\$33,000 in FY2016. The decrease was mainly attributable to the full repayment of interest-bearing bank loans during the year.

Taxation

Taxation increased by approximately HK\$0.5 million or 9.1%, from approximately HK\$5.5 million for FY2015 to approximately HK\$6.0 million in FY2016. The increase in income tax expense was mainly attributable to the increase in profit before taxation from approximately HK\$33.6 million in FY2015 to approximately HK\$36.3 million in FY2016. Our effective tax rate remained stable at 16.5% and 16.4% in FY2015 and FY2016, respectively.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income increased by approximately HK\$2.3 million or 8.2% from approximately HK\$28.1 million in FY2015 to approximately HK\$30.4 million in FY2016. The net profit margin of our Group increased from approximately 15.5% for the year ended 30 September 2015 to approximately 15.8% for the year ended 30 September 2016. The improvement in net profit margin was mainly attributable to the combined effects of the factors discussed above.

FY2015 compared to FY2014

Revenue

Our Group’s revenue increased by approximately HK\$47.9 million or 36.0% from approximately HK\$132.9 million in FY2014 to approximately HK\$180.8 million in FY2015. The aforesaid increase was mainly attributable to the revenue derived from our two sizable projects, namely Project 15 and

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Project 16. We commenced our works on these sizable projects since FY2014 and were in full swing in FY2015. We derived an aggregate revenue of approximately HK\$145.7 million from the aforesaid projects in FY2015, comparing with an aggregate revenue of approximately HK\$62.2 million in FY2014.

Cost of sales

Our cost of sales increased by approximately HK\$25.5 million or 23.1% from approximately HK\$110.6 million in FY2014 to approximately HK\$136.1 million in FY2015. Such increase was a result of the combined effects of (i) the increase in our subcontracting fees; and (ii) the increase of our materials costs.

Our subcontracting fees increased from approximately HK\$51.3 million in FY2014 to approximately HK\$61.7 million in FY2015, representing an increase of approximately HK\$10.4 million or 20.3%. Such increase was in line with the growth of our revenue in FY2015.

Our material costs increased from approximately HK\$40.3 million in FY2014 to approximately HK\$52.3 million in FY2015, representing an increase of approximately HK\$12.0 million or 29.8%. Such increase was mainly attributable to Project 15 and Project 16, which had substantial completion of works in FY2015. The material costs incurred in these projects represent approximately 91.0% and 44.8% of our total material costs incurred in FY2015 and FY2014, respectively.

Gross profit and gross profit margin

Our gross profit increased by approximately 101.4% from approximately HK\$22.2 million in FY2014 to approximately HK\$44.7 million in FY2015, while our gross profit margin increased from approximately 16.7% to approximately 24.7%. The increase was primarily attributable to the substantial completion of our works with relatively high gross profit margin in Project 15 and Project 16 that in aggregate contributed more than 90% of our overall gross profit in FY2015. We achieved a higher gross profit margin in the aforesaid projects than the previous year because (i) in Project 15, we carried out a cost review on the project and enhanced our efficiency in deploying our materials and skilled staff by scheduling labour resources according to programme and timely procurement/allocation of materials such that the gross profit margin of this project was higher in FY2015 than that originally estimated in FY2014; and (ii) in Project 16, a design and build project that allowed us to recommend alternative option(s) to the conforming design layout, our tendering team involved in the discussion with the Main Contractor as to formulate appropriate design proposal which satisfies the specific requirements of superstructure, limitation and constraints of the site, use of materials, etc and was more efficient and cost efficient.

In FY2014, a relatively lower gross profit margin was recorded as a result of losses incurred on Project 4, being MVAC system work/material related project in which our Group had taken up for the first time at the request of a major customer.

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Other gains and losses

Other gains and losses mainly include net loss of approximately HK\$1.5 million in FY2015 comparing to nil in FY2014. The loss was attributable to the impairment loss of other receivables of approximately HK\$1.6 million occurred during the year. For details, please refer to paragraph headed “Other receivables, prepayments and deposits” in this section below.

Administrative expenses

Our administrative expenses increased by approximately 21.6% from approximately HK\$7.7 million in FY2014 to approximately HK\$9.3 million in FY2015. The increase in administrative expenses was primarily attributable to the increase in staff cost of approximately HK\$1.3 million due to increase in salary.

Finance costs

Finance costs decreased from approximately HK\$618,000 in FY2014 to approximately HK\$227,000 in FY2015. The decrease was mainly attributable to the repayment on most of our interest-bearing bank loans in FY2015.

Taxation

Taxation increased by approximately HK\$3.2 million or 139.1%, from approximately HK\$2.3 million in FY2014 to approximately HK\$5.5 million in FY2015. The increase in income tax expense was mainly attributable to the increase in profit before taxation from approximately HK\$14.0 million in FY2014 to approximately HK\$33.6 million in FY2015.

Our effective tax rate remained relatively stable at 16.2% and 16.5% in FY2014 and FY2015, respectively.

Profit and total comprehensive income for the year

Our profit and total comprehensive income increased by approximately HK\$16.4 million or 140.2% from approximately HK\$11.7 million in FY2014 to approximately HK\$28.1 million for FY2015. Such increase was mainly due to (i) the growth of our revenue of approximately 36.0%; and (ii) the significant gross profit contributed by our two sizable projects as a result of materials costs saved in FY2015. The net profit margin of our Group increased from approximately 8.8% for the year ended 30 September 2014 to approximately 15.5% for the year ended 30 September 2015. The improvement in net profit margin was mainly attributable to the combined effects of the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the Track Record Period. Our Group’s principal uses of cash have been, and are expected to continue to be, operational costs and investing activities. Upon Listing, our sources of funds will be a combination of internal generated funds, bank loans and net proceeds from the

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Share Offer. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank loan and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank loans when they fall due.

Cash Flows

The following table sets forth the cash flows for the periods indicated:

	Year ended 30 September			Four months ended 31 January	
	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)	
Cash and cash equivalents at the beginning of year	<u>1,645</u>	<u>(2,607)</u>	<u>19,359</u>	<u>19,359</u>	<u>36,728</u>
Net cash flows (used in)/from operating activities	(2,250)	31,678	14,906	(2,562)	10,523
Net cash flows (used in)/from investing activities	(333)	757	(517)	(53)	(57)
Net cash flows (used in)/from financing activities	<u>(1,669)</u>	<u>(10,469)</u>	<u>2,980</u>	<u>(5,611)</u>	<u>(2,479)</u>
Net (decrease) increase in cash and cash equivalents	<u>(4,252)</u>	<u>21,966</u>	<u>17,369</u>	<u>(8,226)</u>	<u>7,987</u>
Cash and cash equivalents at the end of year/period	<u><u>(2,607)</u></u>	<u><u>19,359</u></u>	<u><u>36,728</u></u>	<u><u>11,133</u></u>	<u><u>44,715</u></u>

Net cash flows (used in)/from operating activities

Our major operating cash flows are derived mainly from revenue from contract works undertaken by us. Our Group derives its cash inflows from operating activities principally from the receipt of payments from contract works and our cash used in operating activities mainly include subcontracting fees, purchase of materials and direct staff cost. Our net cash flows from operating activities represent our profit before taxation, being adjusted for interest income, finance costs, depreciation, gain on disposal of property, plant and equipment, impairment loss recognised in respect of other receivables, the effects of changes in working capital and Hong Kong income tax paid.

For 4M2017, we had net cash from operating activities of approximately HK\$10.5 million which was the combined effect of (i) the decrease in amount due from customers of contract work of approximately HK\$32.1 million which were mainly due to the billing of Project 18, Project 19, Project 21, Project 23 and Project 25; (ii) the operating cash flows before movements in working capital of approximately HK\$8.8 million and was partially offset by (a) the decrease in deposits from a customer of approximately HK\$19.7 million; (b) income tax paid for approximately HK\$4.9 million; (c) the increase in trade receivables of approximately HK\$2.2 million; and (d) decrease in trade payables of approximately HK\$2.0 million.

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For 4M2016, we had net cash used in operating activities of approximately HK\$2.6 million which was the combined effect of (i) increase in the amount due from customer of approximately HK\$2.2 million; (ii) the increase in trade receivables of approximately HK\$12.4 million; and (iii) income tax paid for approximately HK\$0.7 million. This was partially offset by (i) the operating cash flows before movements in working capital of approximately HK\$9.1 million; (ii) the increase of other payables and accrued charges of approximately HK\$1.7 million; and (iii) the increase in trade payables of approximately HK\$2.1 million.

For FY2016, we had net cash from operating activities of approximately HK\$14.9 million, primarily contributed by the combined effects of (i) operating cash flows before movements in working capital of approximately HK\$36.8 million; (ii) the increase in deposits from a customer of approximately HK\$19.7 million which is in relation to an engineering service contract for design, supply and installation of electrical system; (iii) the increase in trade payables of approximately HK\$5.5 million. This partially offset by (a) the increase in amounts due from customers of contract work of approximately HK\$38.4 million which was mainly attributable to approximately HK\$27.4 million for Project 21 which was in the process of payment application certification; and (b) the increase in trade receivables of approximately HK\$4.9 million owing to issue of payment certificate near the end of FY2016 from our customer of Project 21 in relation to substantial completion of works.

For FY2015, we had net cash from operating activities of approximately HK\$31.7 million, primarily contributed by the combined effects of (i) operating cash flows before movements in working capital of approximately HK\$35.8 million; and (ii) the decrease in trade receivables of approximately HK\$28.8 million because of the settlement of Project 15 in FY2015. This partially offset by (a) the increase in the amounts due from customers of contract work of approximately HK\$19.8 million which was mainly attributable to Project 15 and Project 21 which incurred substantial subcontracting fees, materials costs, direct staff costs and site overhead costs, driving up the contract progress; and (b) the decrease in trade payables of approximately HK\$14.5 million.

For FY2014, we had net cash used in operating activities of approximately HK\$2.3 million, primarily contributed by the combined effects of (i) operating cash flows before movements in working capital of approximately HK\$15.1 million; (ii) the decrease in other receivables, prepayments and deposits of approximately HK\$6.1 million; (iii) the increase in trade payables of approximately HK\$5.4 million; and (iv) the decrease in the amounts due from customers of contract work of approximately HK\$3.9 million. This partially offset by (a) the increase in trade receivables of approximately HK\$30.2 million resulted from the issue of payment certificate near the end of FY2014 from our customer of Project 15 with substantial completion of work; and (b) the decrease in provision for onerous contracts, long service payments and annual leave of approximately HK\$3.2 million due to the payment for onerous contracts in FY2014.

Net cash flows (used in)/from investing activities

For 4M2017, we had net cash flows used in investing activities of approximately HK\$0.06 million, which was mainly used to purchase of property, plant and equipment.

For 4M2016, we had net cash flows used in investing activities of approximately HK\$0.05 million, which was mainly used to purchase of property, plant and equipment.

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For FY2016, we had net cash flows used in investing activities of approximately HK\$0.5 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK\$0.7 million.

For FY2015, we had net cash flows from investing activities of approximately HK\$0.8 million, which was mainly attributable to repayment from a subcontractor of approximately HK\$1.0 million and proceeds received from disposal of property, plant and equipment of approximately HK\$0.2 million, offset by the purchase of property, plant and equipment of approximately HK\$0.5 million.

For FY2014, we had net cash flows used in investing activities of approximately HK\$0.3 million, which was mainly attributable to the purchase of property, plant and equipment of approximately HK\$0.3 million.

Net cash flows (used in)/from financing activities

For 4M2017, we had net cash flows used in financing activities of approximately HK\$2.5 million, which was the combined effect of (i) HK\$10.0 million capital contribution from Superior Ace; (ii) HK\$11.0 million dividends paid; and (iii) approximately HK\$1.7 million repayment to a shareholder.

For 4M2016, we had net cash flows used in financing activities of approximately HK\$5.6 million, which was mainly attributed to (i) repayment to a shareholder of approximately HK\$4.3 million; and (ii) repayment of bank borrowings of approximately HK\$1.3 million.

For FY2016, we had net cash flows from financing activities of approximately HK\$3.0 million, which was mainly due to the Pre-IPO Investment of approximately HK\$15.0 million from our shareholder, Superior Ace, partly offset by the dividend payment of approximately HK\$10.5 million.

For FY2015, we had net cash flows used in financing activities of approximately HK\$10.5 million, which was mainly due to (i) net repayment to a director of approximately HK\$2.9 million; and (ii) dividend payment of approximately HK\$7.3 million.

For FY2014, we had net cash flows used in financing activities of approximately HK\$1.7 million, which was mainly due to the new interest-bearing bank loans raised of approximately HK\$5.0 million, partly offset by the repayment of interest-bearing bank loans of approximately HK\$3.7 million and dividend payment of approximately HK\$2.2 million.

WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including the internally generated funds, the credit facilities maintained with financial institutions and the estimated net proceeds of the Share Offer, we are satisfied that we will have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

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OPERATING LEASE COMMITMENTS

As at 30 September 2014, 2015 and 2016 and 31 January 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 30 September			As at 31
	2014	2015	2016	January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
Within one year	438	615	937	696
After one year but within five years	<u>12</u>	<u>192</u>	<u>120</u>	<u>132</u>
	<u>450</u>	<u>807</u>	<u>1,057</u>	<u>828</u>

Our Group leases its office premises under operating lease arrangements. Leases for office premises are negotiated for fixed terms ranged from 1 to 3 years during the Track Record Period.

A lease agreement entered into between the landlord and our Group include a renewal option at the discretion of our Group for a further one year term upon the expiry of the original term without a fixed rental being agreed at the moment. Accordingly, this is not included in the above commitment.

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NET CURRENT ASSETS

The table below sets forth our current assets and current liabilities as at 30 September 2014, 2015 and 2016, 31 January 2017 and 31 May 2017:

	As at 30 September			As at 31 January	As at 31 May
	2014	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
CURRENT ASSETS					
Trade receivables	40,828	12,043	16,979	19,175	21,090
Other receivables, prepayments and deposits	5,447	1,231	3,897	4,466	3,757
Amounts due from customers for contract work	14,689	23,973	63,296	58,313	63,860
Amount due from a shareholder	—	—	—	893	893
Pledged bank deposits	5,768	5,768	5,769	5,768	—
Bank balances and cash	<u>8,571</u>	<u>19,359</u>	<u>36,728</u>	<u>44,715</u>	<u>58,434</u>
	75,303	62,374	126,669	133,330	148,034
Asset classified as held for sale	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,058</u>	<u>—</u>
	<u>75,303</u>	<u>62,374</u>	<u>126,669</u>	<u>135,388</u>	<u>148,034</u>
CURRENT LIABILITIES					
Trade payables	22,484	8,005	13,534	11,485	11,680
Other payables and accrued charges	3,737	4,312	7,321	6,239	16,272
Deposits from a customer	—	—	19,724	—	—
Amounts due to customers for contract work	11,181	649	1,530	28,625	23,269
Amounts due to shareholders	5,907	2,965	2,782	14,247	—
Tax liabilities	1,713	6,678	8,368	6,171	8,466
Obligation under finance lease	—	—	142	145	147
Bank borrowings	<u>12,444</u>	<u>1,266</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>57,466</u>	<u>23,875</u>	<u>53,401</u>	<u>66,912</u>	<u>59,834</u>
NET CURRENT ASSETS	<u><u>17,837</u></u>	<u><u>38,499</u></u>	<u><u>73,268</u></u>	<u><u>68,476</u></u>	<u><u>88,200</u></u>

We recorded net current assets of approximately HK\$17.8 million and HK\$38.5 million as at 30 September 2014 and 2015, respectively. The increase in the net current assets of approximately HK\$20.7 million was mainly due to decrease in trade payables, amounts due to customers for contract work in Project 15 and bank borrowings, partly offset by the decrease in trade receivables.

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Our net current assets increased by approximately HK\$34.8 million from approximately HK\$38.5 million as at 30 September 2015 to approximately HK\$73.3 million as at 30 September 2016. The substantial increase in the net current assets was mainly due to increase in amounts due from customers for contract work in Project 15, Project 21 and Project 27 (an on-going project with the HCA Group) and increase in bank balances and cash generated from operations. The increase in the net current assets was partially offset by the increase in other payables and accrued charges and the increase in deposits from a Main Contractor.

Our net current assets decreased by approximately HK\$4.8 million from approximately HK\$73.3 million as at 30 September 2016 to approximately HK\$68.5 million as at 31 January 2017. The decrease was mainly due to (i) increase in amounts due to shareholders of approximately HK\$11.5 million; (ii) increase in the amount due to customers for contract work of approximately HK\$27.1 million; (iii) decrease in amounts due from customers for contract work of approximately HK\$5.0 million; (iv) increase in bank balances and cash generated from operations of approximately HK\$8.0 million; (v) decrease in other payables and accrued charges of approximately HK\$1.1 million; and (vi) decrease in deposits from a subcontractor of approximately HK\$19.7 million.

Our net current assets increased from approximately HK\$68.5 million as at 31 January 2017 to approximately HK\$88.2 million as at 31 May 2017. The increase was mainly due to the combined effect of: (i) increase in amount due from customer for contract work HK\$5.6 million; (ii) decrease in amount due to shareholders HK\$14.2 million; (iii) increase in trade receivables HK\$1.9 million; (iv) decrease in amount due to customer for contract work HK\$5.3 million; (v) increase in other payables and accrued charges HK\$10.0 million; (vi) increase in trade payables HK\$0.2 million; (vii) increase in bank balances and cash HK\$13.7 million; (viii) decrease in assets held for sale HK\$2.0 million; (ix) increase in tax liabilities HK\$2.3 million; and (x) decrease in pledged bank deposits HK\$5.8 million.

Trade receivables

Our Group's trade receivables primarily represent amounts receivable from our customers under our engineering contracts. In general, we submit an interim payment application to our customers on a monthly basis with details relating to the amount of work done. Once we have provided our interim payment application, our customer would issue a progress confirmation stating our historical work progress and submit its interim invoice to the project employer. It normally takes about 14 to 21 days for such progress confirmation to be issued and we will issue an invoice to our customers once the progress confirmation is received. Our customers are normally required to make payments to us within seven days after receiving the interim payments from their project employers. Our Group grants credit period of 0–30 days to our customers from the date of invoices on progress payments of engineering service works.

As at 30 September 2014 and 2015, the balance of our trade receivables was approximately HK\$40.8 million and approximately HK\$12.0 million, respectively. The decrease in our trade receivables was mainly because of the settlement for Project 15 in FY2015. As at 30 September 2016, the balance of our trade receivables had increased to approximately HK\$17.0 million owing to invoice issued near the end of FY2016 to our customer for Project 21 in relation to substantial completion of works.

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Ageing analysis of trade receivables

The following table sets forth a summary of ageing analysis of trade receivables presented based on the invoice date, which is after our customer having issued the interim certificate, at each reporting date:

	As at 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
				<i>HK\$'000</i>
0–30 days	35,677	10,573	16,910	18,551
31–60 days	742	478	5	55
61–90 days	4,268	790	—	505
91–180 days	—	5	—	—
Over 180 days	<u>141</u>	<u>197</u>	<u>64</u>	<u>64</u>
	<u>40,828</u>	<u>12,043</u>	<u>16,979</u>	<u>19,175</u>

As at 31 January 2017, the balance of our trade receivables had increased to approximately HK\$19.2 million due to settlement of account of our customer for Project 21 and new invoice issued in January 2017 to our customer for Projects 22, 26 and 28 in relation to substantial completion of works.

Ageing analysis of trade receivables which are past due but not impaired, as at the end of each reporting period are as follows:

	As at 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
				<i>HK\$'000</i>
31–60 days	742	478	5	55
61–90 days	4,268	790	—	505
91–180 days	—	5	—	—
Over 180 days	<u>141</u>	<u>197</u>	<u>64</u>	<u>64</u>
	<u>5,151</u>	<u>1,470</u>	<u>69</u>	<u>624</u>

Our Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer. During the Track Record Period, we did not experience any default in receiving the trade receivables. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical defaults of payments was noted by the respective customers. Therefore, no allowance for doubtful debt had been made during the Track Record Period. In the event that we notice any events or changes in

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circumstances which indicates the balances of receivables may not be collectible such as any financial or liquidity problem of the customers which may result in difficulty in settling the outstanding payments, relevant allowance of doubtful debt would be made.

Trade receivables turnover days

The table below sets forth our turnover days of trade receivables for the period indicated:

	As at 30 September			As at 31 January
	2014	2015	2016	2017
	<i>(Note 2)</i>			
Turnover days of trade receivables				
<i>(Note 1)</i>	<u>70.6</u>	<u>53.4</u>	<u>27.6</u>	<u>20.7</u>

Note:

1. The turnover days of trade receivables is calculated based on the average of the beginning and ending balance of trade receivables as at the year end divided by revenue during the year and multiplied by 365 days for full years in FY2014 and FY2015, and multiplied by 366 days for the full year in FY2016.
2. The turnover days of trade receivables as at 31 January 2017 is calculated based on the average of the beginning and ending balance of trade receivables as at the period end divided by revenue during the period and multiplied by 123 days for the full period.

Our trade receivables turnover days were approximately 70.6 days, 53.4 days, 27.6 days and 20.7 days as at 30 September 2014, 2015, 2016 and 31 January 2017, respectively. Our Group's trade receivables turnover days decreased from approximately 70.6 days in FY2014 to approximately 53.4 days in FY2015 and subsequently further decreased to approximately 27.6 days in FY2016. As at 31 January 2017, our Group's trade receivables turnover days was approximately 20.7 days. The decreasing trade receivables turnover days was mainly due to our decreasing trend in average trade receivables balance as a result of enhanced credit and financial management over the Track Record Period.

Approximately 99.9% of the trade receivables as at 31 January 2017 were subsequently settled up to Latest Practicable Date.

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Other receivables, prepayments and deposits

	As at 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
Rental and other deposits	152	217	235	421
Deposits for material purchase	1,249	275	115	146
Billed retention receivables	197	197	—	—
Prepayments and others	761	588	690	1,700
Prepaid and deferred listing expenses	—	—	2,887	2,229
Advance made to a subcontractor	<u>3,111</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u><u>5,470</u></u>	<u><u>1,277</u></u>	<u><u>3,927</u></u>	<u><u>4,496</u></u>
Presented as non-current assets	23	46	30	30
Presented as current assets	<u>5,447</u>	<u>1,231</u>	<u>3,897</u>	<u>4,466</u>
Total	<u><u>5,470</u></u>	<u><u>1,277</u></u>	<u><u>3,927</u></u>	<u><u>4,496</u></u>

Rental and other deposits mainly represent our deposit for rental of our staff quarter and site offices and utilities deposits. The balance increased by approximately HK\$0.2 million due to relocation of the headoffice incurring an increase in rental deposits.

Prepayments and others amounted to approximately HK\$0.8 million, HK\$0.6 million, HK\$0.7 million and HK\$1.7 million as at 30 September 2014, 2015, 2016 and 31 January 2017, respectively. The balance mainly represented the prepayments for administrative expenses and advances given to subcontractors. The decrease in prepayments and others as at 30 September 2015 was mainly attributable to the repayments from our subcontractors. The increase in prepayments and others as at 31 January 2017 was mainly due to prepaid bonus of approximately HK\$0.9 million.

Prepaid and deferred listing expenses amounted to approximately HK\$2.2 million as at 31 January 2017.

Advance made to a subcontractor amounted to approximately HK\$3.1 million, nil, nil and nil as at 30 September 2014, 2015, 2016 and 31 January 2017, respectively. The advance made to a subcontractor as at 30 September 2014 was made prior to the Track Record Period. As the aforesaid subcontractor was in default to repay us the whole amount of HK\$3.1 million, on 25 August 2015, we reached a settlement agreement with them to reduce the repayment amount to HK\$1.5 million. Accordingly, impairment loss of approximately HK\$1.6 million was recognised to profit or loss during FY2015. The aforesaid subcontractor repaid us HK\$1.0 million in FY2015 and the amount of other receivables were reduced to HK\$0.5 million as at 30 September 2015 and 2016, respectively. The balance of other receivables as at 31 January 2017 was approximately HK\$0.7 million of which HK\$0.5 million was brought forward from 2016.

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Amounts due from customers for contract work

We recognise our revenue from electrical engineering service contracts based on the stage of completion of the contracts as the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs. Amounts due from customers for contract work represents surplus derived from the contract costs incurred plus net recognised profits/losses which exceed progress billings. Conversely, the amount due to customers for contract work represents surplus derived from progress billings which exceed the contract costs incurred plus net recognised profits/losses.

The following table sets forth our Group's contract costs incurred plus recognised profits less recognised losses and our Group's progress billings as at the date indicated:

	As at 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of the reporting period:				
Contract costs incurred plus recognised profits less recognised loss	667,539	842,079	881,383	988,364
Less: Progress billings	<u>(664,031)</u>	<u>(818,755)</u>	<u>(819,617)</u>	<u>(958,676)</u>
Total	<u>3,508</u>	<u>23,324</u>	<u>61,766</u>	<u>29,688</u>
Analysed as:				
Amounts due from customers for contract work	14,689	23,973	63,296	58,313
Amounts due to customers for contract work	<u>(11,181)</u>	<u>(649)</u>	<u>(1,530)</u>	<u>(28,625)</u>
	<u>3,508</u>	<u>23,324</u>	<u>61,766</u>	<u>29,688</u>

The increase of approximately HK\$19.8 million in the net amounts due from customers for contract work from approximately HK\$3.5 million as at 30 September 2014 to approximately HK\$23.3 million as at 30 September 2015 was mainly attributable to Project 21 and Project 15 which incurred substantial subcontracting fees, materials costs, direct staff costs and site overhead costs, while the payments of works completed had not yet been certified by our customers.

The net amounts due from customers for contract work increased by approximately HK\$38.5 million from approximately HK\$23.3 million as at 30 September 2015 to approximately HK\$61.8 million as at 30 September 2016. The increase was mainly attributable to approximately HK\$27.4

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million of variation orders for Project 21 which has been duly accepted by the customer and the subcontract payment certificate was issued by the customer on 30 October 2016 to include such variation order of HK\$27.4 million.

The amounts due from customers for contract work as at 30 September 2016 was HK\$63.3 million. As of the Latest Practicable Date, the amount which had subsequently been billed by our Group amounted to HK\$47.5 million, and had been subsequently fully settled. The remaining HK\$15.8 million represented retention money which had been withheld by our customers for a certain contractual period after completion of the projects.

The amounts due from customer for contract work as at 31 January 2017 was HK\$58.3 million. As at the Latest Practicable Date, the amount which has subsequently been billed by our Group amounted to HK\$24.7 million and had been subsequently fully settled. The remaining HK\$33.6 million represented retention money which had been withheld by our customers for a certain contractual period after completion of the projects.

The decrease of approximately HK\$32.1 million in the net amount due from customers for contract work from approximately HK\$61.8 million as at 30 September 2016 to approximately HK\$29.7 million as at 31 January 2017 was mainly due to an advance from a customer of approximately HK\$19.7 million and advance billing for Projects 19, 23 and 25 with total amount of approximately HK\$31.7 million as at 30 September 2016 majority of which have been subsequently settled.

The increase of approximately HK\$27.1 million in the amount due to customer for contract work from approximately HK\$1.5 million as at 30 September 2016 to approximately HK\$28.6 million as at 31 January 2017 was mainly due to (i) the deposit of HK\$19.7 million received from a customer for a project to which our Group had rendered preliminary work in 4M2017; and (ii) the advance billing of Projects 18, 19, 23 and 25.

Trade payables

The following table sets forth the trade payables as of the dates indicated:

	As at 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
				<i>HK\$'000</i>
Trade payables	<u>22,484</u>	<u>8,005</u>	<u>13,534</u>	<u>11,485</u>

Our trade payables primarily represent amounts payable to our subcontractors and suppliers of E&M engineering materials. Settlement is generally made in accordance with the terms specified in the contracts governing the relevant transactions. The credit period granted by our subcontractors and suppliers is normally 30 to 60 days after issuance of invoice.

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The table below sets forth our turnover days of trade payables for the period indicated:

	As at 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
				<i>HK\$'000</i>
				<i>(Note 2)</i>
Turnover days of trade payables				
<i>(Note 1)</i>	<u>76.5</u>	<u>47.8</u>	<u>32.1</u>	<u>20.2</u>

Notes:

1. The turnover days of trade payables is calculated based on the average of the beginning and ending balance of trade payables as at the year end divided by cost of sales (excluding staff cost) during the year and multiplied by 365 days for the full years in FY2014 and FY2015, and multiplied by 366 days for the full year in FY2016.
2. The turnover days of trade payables as at 31 January 2017 is calculated based on the average of the beginning and ending balance of trade payables as at the period end divided by cost of sales (excluding staff cost) during the period and multiplied by 123 days for the full period.

Our turnover days of trade payables (comprising our payables to suppliers and payables to subcontractors) were approximately 76.5 days, 47.8 days, 32.1 days and 20.2 days as at 30 September 2014, 2015, 2016 and 31 January 2017, respectively. In order to maintain good relationship with our subcontractors, we generally settle the payments to our subcontractors once we certified the value of works completed by the relevant subcontractors against their payment applications. Our turnover days of trade payables showed a decreasing trend due to the decrease in average trade payables balance as a result of enhanced credit and financial management over the Track Record period. The decrease in turnover days of trade payables as at 31 January 2017 is mainly due to settlement of trade payables to our subcontractors before Chinese New Year.

The following table illustrates the aging analysis of the accounts payable based on invoice date as at the end of each of the reporting dates:

	As at 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
				<i>HK\$'000</i>
0–30 days	11,070	3,803	11,245	5,578
31–60 days	7,963	3,793	1,400	5,707
61–90 days	2,400	171	718	40
Over 90 days	<u>1,051</u>	<u>238</u>	<u>171</u>	<u>160</u>
	<u>22,484</u>	<u>8,005</u>	<u>13,534</u>	<u>11,485</u>

Approximately 99.2% of the trade payables as at 31 January 2017 were subsequently settled up to Latest Practicable Date.

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Other payables and accrued charges

The following table sets forth the other payables and accrued charges as at the dates indicated:

	Our Group			
	As at 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued charges for engineering service	696	315	1,261	1,210
Retention payables	1,283	1,337	2,461	3,655
Other accrued charges	1,758	2,660	3,599	1,374
	3,737	4,312	7,321	6,239

Accrued charges for engineering service mainly represented the accrual charges for materials purchased from suppliers and the costs incurred for engineering service performed by the subcontractors but no invoices are received by us yet.

The balance of our accrued charges for engineering service of approximately HK\$0.7 million as at 30 September 2014 was primarily attributable to the accrued charges for material purchase from suppliers and engineering service performed by subcontractors while the balance of approximately HK\$0.3 million as at 30 September 2015 was mainly arisen from the accrued charges for materials purchase from suppliers.

As at 30 September 2016, our balance of accrued charges for engineering service of approximately HK\$1.3 million was mainly due to the accrued charges for materials purchased from suppliers and engineering service performed by subcontractors. As at 31 January 2017, our balance of accrued charges for engineering service was approximately HK\$1.2 million.

Retention payables mainly represent the amounts we withhold from progress payments to our subcontractors in the range of 5% to 10% of the respective payment amount. Such retention money is released to our subcontractors upon completion of the guaranteed maintenance period in accordance with the terms and conditions of the relevant subcontracting agreement. Therefore, a significant portion of retention payables remained outstanding as at each reporting period end. In line with the progress of our engineering service projects, our retention payables remained stable at approximately HK\$1.3 million as at 30 September 2014 and 30 September 2015 and increased to approximately HK\$2.5 million as at 30 September 2016, which is in line with the increase of our subcontracting fees in FY2016. Retention payables increased by approximately HK\$1.2 million to approximately HK\$3.7 million as at 31 January 2017 due to new projects commenced during 4M2017.

Other accrued charges mainly represented accrued salaries and MPF and administrative expenses.

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Deposits from a customer

Deposits from a customer represent deposits received from a customer in relation to an engineering service contract for the supply and installation of electrical system. As at 30 September 2016, service had yet to be rendered by our Group. Such project has started the preliminary work in 4M2017.

Tax liabilities

The tax payable balances of our Group were approximately HK\$1.7 million, HK\$6.7 million, HK\$8.4 million and HK\$6.2 million as at 30 September 2014, 2015 and 2016 and 31 January 2017, respectively. The increase in tax payable was mainly due to the increase in the overall profit before taxation over the Track Record Period.

Save as disclosed above, we have paid all relevant taxes in accordance with tax regulations and have not had any disputes or unresolved tax issues with the relevant tax authorities.

Provisions

Our Group provides for the long service payments expected to be made to employees under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the unutilised annual leaves of our employees. The provision represents management's best estimate of probable future payments which have been earned by the employees from their services to our Group up to the end of each reporting period.

Also, our Group provides certain sum according to the management's best estimate on the onerous engineering service contract in relation to installation of mechanical ventilation and air-conditioning system of our Group as management of our Group considers the unavoidable costs of meeting the obligations under such engineering service contract exceed the economic benefits expected to be received under such contract. These amounts have not been discounted for the purpose of measuring the provision because the effect is insignificant.

NON-CURRENT ASSETS

	Year ended 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
Property, plant and equipment	5,381	5,277	5,625	3,398
Deferred tax assets	257	257	186	177
Deposits	23	46	30	30
Total	5,661	5,580	5,841	3,605

Property, plant and equipment represents leasehold land and buildings, leasehold improvements, furnitures and fixtures and motor vehicles of our Group.

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Deferred tax assets represent differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit.

Deposits represent rental deposits.

INDEBTEDNESS

Bank borrowings

	As at 30 September			As at 31 January	As at 31 May
	2014	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Bank borrowings contain a repayment on demand clause and mature within one year	1,266	1,266	—	—	—
Bank overdrafts	11,178	—	—	—	—
	12,444	1,266	—	—	—

Our Group had bank borrowings of HK\$12.4 million as at 30 September 2014, HK\$1.3 million as at 30 September 2015 and nil as at 30 September 2016, 31 January 2017 and 31 May 2017, respectively. Our Group's bank borrowings were primarily used in financing the working capital requirement of our operations. With the increase in cash flow from operating activities, our Group settled bank overdraft of approximately HK\$11.2 million in FY2015 and the bank borrowings of approximately HK\$1.3 million in FY2016.

During the Track Record Period, the bank borrowing agreements were entered into with the lenders under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as of the Latest Practicable Date, none of our lenders had claimed default against us under any of the terms in the bank borrowing agreements.

Our Directors confirm that our Group did not have any material external debt financing plans as at the Latest Practicable Date.

Our Directors confirm that our Group had not experienced any difficulty in obtaining bank borrowings, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they did not foresee any difficulty in obtaining bank borrowing after the Latest Practicable Date.

As at the Latest Practicable Date, our Group's unutilised banking facilities amounted to approximately HK\$7.0 million.

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Obligation under finance lease

We also leased one of our motor vehicles under finance lease. The following table sets forth our finance lease as of the end of the reporting periods dates indicated:

	Minimum lease payments			As at	As at
	As at 30 September			31 January	31 May
	2014	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance lease:					(unaudited)
Within one year	—	—	152	152	152
More than one year but within two years	—	—	114	63	13
	—	—	266	215	165
Less: Future finance charges	—	—	(12)	(8)	(5)
Present value of lease obligation	<u>—</u>	<u>—</u>	<u>254</u>	<u>207</u>	<u>160</u>

As at 30 September 2016, 31 January 2017 and 31 May 2017, our Group has secured and guaranteed obligation under finance lease of approximately HK\$0.3 million, HK\$0.2 million and HK\$0.2 million, which are secured by motor vehicle of our Group.

The lease term for our finance lease was two years. The interest rate for our finance lease was 2.75%, 2.75% and 2.75% per annum as of 30 September 2016, 31 January 2017 and 31 May 2017, respectively, and the interest rates were fixed at the contract date. All leases were on a fixed repayment basis and we did not enter into any arrangement for contingent rental payments.

Amounts due to shareholders

The amounts due to shareholders were approximately HK\$5.9 million, HK\$3.0 million, HK\$2.8 million, HK\$14.2 million and nil as at 30 September 2014, 2015 and 2016 and 31 January 2017 and 31 May 2017, respectively.

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Details of amounts due to shareholders, which are non-trade nature, unsecured, interest-free and repayable on demand, are as follows:

	As at 30 September			As at	As at
	2014	2015	2016	31 January	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>	<i>2017</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Mr. Yung	5,907	2,965	2,782	11,247	—
Pre-IPO Investor	—	—	—	3,000	—
	5,907	2,965	2,782	14,247	—
	5,907	2,965	2,782	14,247	—

As at 31 January 2017, included in the balance above represented the dividend payable of HK\$9,000,000 and HK\$3,000,000 to Mr. Yung and the Pre-IPO Investor, respectively. The amount was subsequently settled in March 2017. The abovesaid amounts due to shareholders are a net amount due to Mr. Yung where prior to and during the Track Record Period, Mr. Yung as the Controlling Shareholder made loans to CCCL for maintaining its working capital requirement from WBDB. For details, please refer to paragraph headed “Relationship with Controlling Shareholders — Discontinued Transactions — Financial assistance by Mr. Yung to CCCL” in this prospectus.

The amounts due to shareholders were nil as at 31 May 2017.

Performance guarantees and contingent liabilities

As at 30 September 2014, 2015, 2016, 31 January and 31 May 2017, performance guarantees of approximately HK\$5.8 million, HK\$5.8 million, HK\$5.8 million, HK\$5.8 million and nil (*Note*), respectively were given by a bank in favour of our Group’s customers as security for the due performance and observance of our obligations under the contracts entered into between us and our customers. If we fail to provide satisfactory performance to our customers to whom performance guarantee have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. We will become liable to compensate such bank accordingly. The performance guarantee will be released upon completion of the contract works. Our Directors do not consider it is probable that a claim will be made against our Group.

Save as disclosed above, as at 31 May 2017, being the latest practicable date for the purpose of this indebtedness statement, our Group did not have any loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Note: During the Track Record Period, our Group maintained a performance guarantee in the sum of approximately HK\$5.8 million for Project 10 until May 2017, after the issuance of the Defects Rectification Certificate in March 2017 by the Architect. Our Group had not entered into other performance guarantees during the Track Record Period for other projects, as performance guarantee was not required for some projects; on the other hand, some other projects’ performances were guaranteed by the personal guarantees provided by Mr. Yung. Details of those personal guarantees are set out in the section headed “Relationship With Controlling Shareholders — Discontinued Transaction — Guarantees provided by Mr. Yung to Customer F” in this Prospectus. As disclosed in the aforesaid

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section, those personal guarantees so provided by Mr. Yung for other projects are expected to be released before Listing. All future performance guarantees (if any) will then be borne by our Group according to contractual requirement.

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures for the purchase of motor vehicles, leasehold improvements and furniture, fixture and equipment. Our capital expenditures were approximately HK\$0.3 million, HK\$0.5 million, HK\$1.0 million and HK\$0.06 million during FY2014, FY2015, FY2016 and 4M2017, respectively.

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operations and bank borrowings, as well as net proceeds from the Share Offer. Where our Directors consider appropriate and necessary, we may raise additional funds on terms that are acceptable to us.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 January 2017, please refer to the paragraph headed "Subsequent Events" in note 38 of the Accountants' Report set forth in Appendix I to this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangement.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 33 to the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

NO MATERIAL ADVERSE CHANGE

Save for the professional fees of approximately HK\$12.9 million estimated to be incurred in connection with the Listing, which will be recorded in our combined financial information for the year ending 30 September 2017, our Directors confirm 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 January 2017, being the date to which the latest audited combined financial statements of our Group were made up.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 30 September 2017 is expected to be adversely affected by, among others, our Listing expenses, the nature of which is non-recurring. Our total Listing expenses, primarily consisting of fees paid or payable to

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professional parties and underwriting commission, are estimated to be approximately HK\$20.6 million, of which HK\$18.3 million and HK\$2.3 million should be borne by our Group and the Selling Shareholder, respectively.

Among the estimated aggregate amount of the Listing expenses to be borne by our Group, (i) approximately HK\$0.7 million and HK\$7.3 million was charged to our consolidated statement of profit or loss and other comprehensive income for FY2016 and 4M2017; (ii) approximately HK\$5.6 million is expected to be incurred after the Track Record Period; and (iii) approximately HK\$4.7 million is expected to be accounted for as a deduction from equity upon the Listing.

This calculation is based on the mid-point of our indicative Offer Price range of HK\$0.71 to HK\$0.87 per Offer Share and the assumption that 45,000,000 Sale Shares expected to be sold by the Selling Shareholder under the Share Offer, 90,000,000 Shares expected to be issued under the Share Offer. Upon Listing, the total number of issued Shares will be 540,000,000 Shares.

Our Directors would like to emphasise that the amount of our Listing expenses is a current estimate for reference only and the final amount to be recognised in our combined financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

DIVIDEND AND DISTRIBUTABLE RESERVES

During FY2014, FY2015 and FY2016, our Group declared and paid dividends of HK\$2.2 million, HK\$7.3 million, HK\$10.5 million, respectively to the shareholder of the companies now comprising our Group. During 4M2017, our Group declared dividends of HK\$23.0 million of which HK\$11.0 million was paid in January 2017 and the balance of HK\$12.0 million was paid in March 2017. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

Our Company has no fixed dividend policy. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant.

We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

	As at/For the year ended 30 September			As at/For the four months ended 31 January	
	2014	2015	2016	2016 (unaudited)	2017
Gross profit margin ¹	16.7%	24.7%	24.4%	28.2%	18.9%
Net profit margin ²	8.8%	15.5%	15.8%	18.6%	5.5%
Current ratio ³	1.3 times	2.6 times	2.4 times	2.8 times	2.0 times
Gearing ratio ⁴	54.7%	2.9%	0.3%	0.0%	0.3%
Net gearing ratio ⁵	17.0%	Net cash	Net cash	Net cash	Net cash
Interest coverage ⁶	23.6 times	149.0 times	1,102.1 times	1,280.4 times	2,152.3 times
Return on total assets ⁷	14.4%	41.3%	22.2%	30.0%	12.8%
Return on equity ⁸	51.4%	64.5%	37.5%	45.8%	24.9%

Notes:

1. Gross profit margin is calculated by dividing gross profit by revenue for the relevant period and multiplying the resulting value by 100%.
2. Net profit margin is calculated by dividing net profit by revenue for the relevant period and multiplying the resulting value by 100%.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period during the Track Record Period.
4. Gearing ratio is calculated based on the interest-bearing bank borrowings and obligation under finance lease divided by the total equity as at the end of each reporting period during the Track Record Period and multiplied by 100%.
5. Net gearing ratio is calculated based on the interest-bearing bank borrowings and obligation under finance lease less bank balances and cash divided by the total equity as at the end of each reporting period during the Track Record Period and multiplied by 100%.
6. Interest coverage is calculated by the net profit before finance costs and taxation divided by the finance costs for each reporting period during the Track Record Period.
7. Return on total assets is calculated by the net profit attributable to the owners of our Company for each reporting period during the Track Record Period or the annualised profit for the four months ended 2016 and 2017 divided by the total assets as at the end of each reporting period during the Track Record Period and multiplied by 100%.
8. Return on equity is calculated by the net profit attributable to the owners of our Company for each reporting period during the Track Record Period or the annualised profit for the four months ended 2016 and 2017 divided by the total equity as at the end of each reporting period during the Track Record Period and multiplied by 100%.

Gross profit margin

Our gross profit margin amounted to approximately 16.7%, 24.7% and 24.4% for the year ended 30 September 2014, 2015 and 2016, respectively. The change in gross profit margin in the Track Record Period was mainly attributable to the combined effects of the factors mentioned above. For further details of our gross profit margin, please refer to the paragraph headed “Period to period comparison of results of operations” in this section. Our gross profit margin was approximately 28.2% and 18.9% for 4M2016 and 4M2017, respectively. The change in gross profit margin for the four months ended 2016

FINANCIAL INFORMATION

and 2017 was mainly attributable to the combined effects of the factors mentioned above. For further details of our gross profit margin, please refer to the paragraph headed “Period to period comparison of results of operations” in this section.

Net profit margin

Our net profit margin amounted to approximately 8.8%, 15.5% and 15.8% for the year ended 30 September 2014, 2015 and 2016, respectively. The increase in net profit margin in the Track Record Period was mainly attributable to the combined effects of the factors mentioned above. For further details of our net profit margin, please refer to the paragraph headed “Period to period comparison of results of operations” in this section. Our net profit margin was approximately 18.6% and 5.5% for the four months ended 31 January 2016 and 2017, respectively. The decrease in net profit margin was mainly attributable to the increase in profit tax expenses from HK\$1.1 million to HK\$2.7 million as the listing expenses of approximately HK\$7.3 million incurred in 4M2017 was non deductible expenses and no such expenses incurred for 4M2016.

Current ratio

Our current ratio increased from approximately 1.3 times as at 30 September 2014 to approximately 2.6 times as at 30 September 2015 and decreased slightly to approximately 2.4 times as at 30 September 2016. The increase in our current ratio as at 30 September 2015 was due to a substantial repayment of bank borrowings. Our current ratio decreased slightly to approximately 2.4 times as at 30 September 2016 due to the increase in our trade payables and deposit from our main contractor. Our Group has been maintaining adequate liquidity and working capital to cope with our business expansion as well as operation needs for our E&M engineering projects, and our Directors are of the view that the current ratio of our Group had been maintained at a healthy level during the Track Record Period. Our current ratio was 2.8 times and 2.0 times as at 31 January 2016 and 2017, respectively. The slight decrease in current ratio was attributable to increase in our amount due to customer for contract work. The current ratio of our Group had been maintained at a healthy level during 4M2016 and 4M2017.

Gearing ratio

Our gearing ratio as at 30 September 2014, 2015 and 2016 was approximately 54.7%, 2.9% and 0.3%, respectively. The decreasing trend of our gearing ratio during the Track Record Period was mainly due to our repayment of bank borrowings over the period, and the increase in our total equity due to the profit from our operation. Our gearing ratio as at 31 January 2016 and 2017 was 0.0% and 0.3%, respectively. The increase in gearing ratio is attributable to no obligation under finance lease as at 31 January 2016 and there were obligations under finance lease amounted to approximately HK\$0.2 million and no interest bearing bank borrowing as at 31 January 2017.

Net gearing ratio

Our net gearing ratio as at 30 September 2014, 2015 and 2016 was approximately 17.0%, net cash and net cash, respectively. The improvement of our net gearing ratio during the Track Record Period was mainly due to the combined effects of (i) repayment of bank borrowings; (ii) increase in our total equity due to profit from our operation; and (iii) increase in bank balances and cash, over the period. Our net gearing ratio as at 31 January 2016 and 31 January 2017 was net cash and net cash respectively.

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Interest coverage

Our interest coverage was approximately 23.6 times, 149.0 times and 1,102.1 times for FY2014, FY2015 and FY2016, respectively. The increasing trend of our interest coverage ratio during the Track Record Period was mainly due to our repayment of bank borrowings over the period, and the increase in our profit from our operation. Our interest coverage was approximately 1,280.4 times and 2,152.3 times for 4M2016 and 4M2017. The increase was attributable to decrease in interest expenses from approximately HK\$7,000 to approximately HK\$4,000.

Return on total assets

Our return on total assets was approximately 14.4%, 41.3% and 22.2% for FY2014, FY2015 and FY2016, respectively. Our return on total assets increased for FY2015 mainly attributable to the fact that our profit growth increased more than our total assets in terms of percentage for FY2015. Return on total assets decreased for FY2016 mainly due to the fact that our total assets, mainly trade receivables and amounts due from customers for contract work, increased more than our profit growth in terms of percentage for FY2016. Our return on total assets was approximately 30.0% and 12.8% for 4M2016 and 4M2017, respectively. The decrease in return on total assets from 30.0% to 12.8% was attributable to decrease in profit attributable to owners of our Company for 4M2017 as there were listing expenses of approximately HK\$7.3 million incurred but no such expenses incurred for 4M2016.

Return on equity

Our return on equity was approximately 51.4%, 64.5% and 37.5% for FY2014, FY2015 and FY2016, respectively. While our return on equity remained generally stable for FY2014 and FY2015, our return on equity for FY2016 decreased mainly because our total equity increased more than our growth of profit in terms of percentage due to the Pre-IPO Investment made by Superior Ace to our Group. Our return on equity was approximately 45.8% and 24.9% for 4M2016 and 4M2017, respectively. The decrease in return on equity from 45.8% for 4M2016 to 24.9% for 4M2017 was attributable to decrease in profit attributable to owners of our Company for 4M2017 as there were listing expenses of approximately HK\$7.3 million incurred but no such expenses incurred for 4M2016.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS STRATEGIES

Please refer to the paragraph headed “Business — Our Business Strategies” in this prospectus for detailed description of our business strategies.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$0.79, being the mid-point of the indicative Offer Price range) will be approximately HK\$52.8 million. We currently intend to apply such net proceeds in the following manner:

- approximately 75.4%, or HK\$39.8 million, will be used to satisfy for future projects performance guarantee. Set out below is a breakdown of the net proceeds to be used on performance guarantee to be provided by our Group for an awarded project pending formal contract documents to be executed and its potential future projects;

Description <i>(Note 2)</i>	Customer	Sector	Expected project period	Expected timing of submission of tender (T) and/or award of projects (A)	Contract sum <i>(HK\$'000)</i>	Performance guarantee <i>(HK\$'000)</i> <i>(Note 3)</i>	Net proceeds to be utilised for the provision of performance guarantee <i>(HK\$'000)</i>
Awarded project pending formal contract documents to be executed							
1. Government building in Kowloon West* <i>(Note 4)</i>	F	Public	September 2017 to November 2018	—	190,600	9,500	9,500
Potential Projects							
2. Medical centre in New Territories	H	Private	December 2017 to December 2019	August 2017 (T)	200,000	10,000	10,000
3. Government building in Kowloon East	F	Public	December 2017 to December 2021	October 2017 (A)	340,000	17,000	13,800
4. Educational institution on Hong Kong Island	<i>Note 1</i>	Private	October 2017 to October 2019	August 2017 (T)	60,000	3,000	3,000
5. Government building in New Territories	F	Public	December 2017 to December 2019	October 2017 (A)	70,000	3,500	3,500
Total					860,600	43,000	39,800

FUTURE PLANS AND USE OF PROCEEDS

Notes:

1. This customer is not on our list of top five customers.
 2. Not all projects which will require performance guarantee and/or are being considered and under discussion with Main Contractors, are listed in the above table. Only projects which were awarded or our Directors believe we will secure (based on our Group's long-term and good relationship with the Main Contractors, our expertise and experience in the industry and thus our competitive quotations to our major customers in bidding for new projects) are listed. In the event that our Group fails to secure projects 2, 3, 4 or 5 above, the net proceeds allocated to that project will be utilised for the provision of performance guarantee of other future potential projects. As at the Latest Practicable Date, save for the project marked with an asterisk(*) (please refer to note 4 for the details of this project), our Group had submitted tenders for the potential projects 3 and 5 and expressed interest for tendering for projects 2 and 4 in October 2017.
 3. The performance guarantee is expected to be approximately five percent of the contract sum.
 4. This project is an awarded project pending execution of formal contractual documents. Performance guarantee has to be provided upon execution of the formal contractual documents.
2. approximately 19.0%, or HK\$10.0 million, will be used for employing 10 additional staff in the next three years in order to increase our capacity to cope with expected business growth, including one senior project manager, three project managers and six project engineers and for providing training to our employees and the new recruits.

Set out below is a breakdown of the net proceeds to be used on recruitment and training:

Recruitment

Item	Headcount	HK\$
Senior project manager	1	2,000,000
Project managers	3	3,300,000
Project engineers	6	4,400,000
Total	10	9,700,000

FUTURE PLANS AND USE OF PROCEEDS

Training

Item	Implementation Plan	Provider	HK\$
Induction, tool box training and specific safety training	Providing training sessions on construction site safety, including safe use of hand tools and power tools, safe working on bamboo scaffolding and safe use of lifting appliances Arranging training workshops or courses for our banksmen, abrasive wheel competent persons, anchor bolt installation and gas welding and flame cutting operators	Safety officer or safety supervisor of our Group or Independent Third Party(ies)	200,000
Computer training	Arranging training workshops or courses on accounting software system adopted	Independent Third Party(ies)	100,000
Total			300,000

3. approximately 2.8%, or HK\$1.5 million, will be used for investing in and upgrading the computer system and software to enhance costs estimation during tendering process, work force deployment and management of our Group, in the next three years; and
4. approximately 2.8%, or HK\$1.5 million, will be used for upgrading our quality management system obtained under ISO9001; and ensuring our occupational health and safety management system and environmental management system are in compliance with the requirements under the OHSAS 18001 (occupational health and safety) and ISO 14001 (environmental management) certifications to be obtained, respectively.

FUTURE PLANS AND USE OF PROCEEDS

Set out below is a breakdown of the net proceeds to be used for enhancing various systems of our Group:

	<i>HK\$</i>
Upgrading the quality management system obtained under ISO9001	
Accredited certification	100,000
Engagement of consultant	100,000
Enhancing the safety management system (including setup and staff cost)	800,000
Obtaining ISO 14001 and OHSAS 18001 certifications	
Accredited certification	100,000
Engagement of consultant	200,000
Engagement of independent professional to perform regular review on our Group's internal control system and compliance procedure	200,000
Total	1,500,000

If the final Offer Price is set at (i) the lowest; or (ii) the highest of the indicative Offer Price, the net proceeds to us from the Share Offer are estimated to be approximately HK\$45.7 million (in the case of (i)) or approximately HK\$59.8 million (in the case of (ii)), respectively. In such events, the estimated net proceeds will decrease or increase by approximately HK\$7.0 million, respectively and are intended to be used in the same proportions as disclosed above save for the amount of net proceeds planned to be used as described in items 3 to 5 above will remain substantially unchanged and, if the final Offer Price is set at a price higher than the mid-point of the Offer Price range, the amount allocated for our working capital purposes shall not exceed 10% of the then net proceeds.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Share Offer, and assuming an Offer Price of HK\$0.79 per Offer Share, being the mid-point of the indicate Offer Price range) will be approximately HK\$33.3 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Bookrunners

Guoyuan Capital (Hong Kong) Limited
Ping An Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

We are initially offering 13,500,000 New Shares for subscription by the public in Hong Kong on the terms and subject to the conditions set out in this prospectus and the Application Forms. Pursuant to the Public Offer Underwriting Agreement, the Public Offer is fully underwritten on a several basis, not jointly nor jointly and severally, by the Public Offer Underwriters in accordance with their respective Public Offer Underwriting Commitment (as defined in the Public Offer Underwriting Agreement) set out in the Public Offer Underwriting Agreement. The Public Offer Underwriting Agreement is conditional upon, amongst other things:

- (a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer;
- (b) the Placing Underwriting Agreement having been duly executed and delivered and having become unconditional and not having been terminated in accordance with its terms (save as regards any condition relating to the Public Offer Underwriting Agreement having become unconditional); and
- (c) certain other conditions set out in the Public Offer Underwriting Agreement.

Grounds for termination

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination at any time prior to 8:00 a.m. on the Listing Date. The Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters)

UNDERWRITING

may in their sole and absolute discretion, upon giving notice in writing to our Company, terminate the Public Offer Underwriting Agreement with immediate effect upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sole Sponsor and the Joint Lead Managers:
 - (i) that any statement contained in any of the post hearing information pack, this prospectus, the Application Forms and the formal notice (together with any announcements, documents made, given, released or issued by the Company in connection with the Share Offer including any supplement or amendment thereto) or any other document published or to be published by our Company in connection with the Share Offer was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecasts, estimates, expressions of opinion, intention or expectation expressed in the post hearing information pack, this prospectus, the Application Forms, formal notice and/or any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) are not, in the sole and absolute opinion of the Sole Sponsor and the Joint Lead Managers, fair and honest nor based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus and the Application Forms, result in a misstatement in or constitute a material omission from, any of this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto); or
 - (iii) any breach of any of the obligations, Warranties (as defined in the Public Offer Underwriting Agreement), undertakings imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than any of the Public Offer Underwriters or the Placing Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors (as defined in the Public Offer Underwriting Agreement) pursuant to the indemnities referred to in the Public Offer Underwriting Agreement; or
 - (v) any material adverse change or development involving a material adverse change in the earnings, business, operations, assets, liabilities, conditions, business affairs, management, prospects, Shareholders' equity, profits, losses or financial or trading position or performance of any member of our Group; or
 - (vi) any breach of any of the warranties or undertakings given by any of the Warrantors under the Public Offer Underwriting Agreement or any matter or event showing any of such warranties or undertakings to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or

UNDERWRITING

- (vii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares in issue and to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) our Company withdraws this prospectus (and/or any other documents used in connection with the contemplated subscription or sale of the Offer Shares) or the Share Offer; or
- (b) there develops, occurs, exists or comes into force:
- (i) any act of force majeure or any event, or series of events, beyond the control of the Sole Sponsor and the Joint Lead Managers including, without limitation, acts of government, economic sanctions, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics (including, but not limited to, SARS and H5N1 and such related/mutated forms) or interruption or delay in transportation and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or any other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the Cayman Islands and the BVI (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or equity securities or stock or other financial market condition or any monetary or trading settlement system or matters and/or disaster in the Relevant Jurisdictions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange or the Nasdaq National Market or a material devaluation of Hong Kong dollars or Renminbi against any foreign currencies (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the United States), or any suspension of trading of any of the securities of our Company on any exchange or over-the-counter market or any disruption in securities settlement or clearance services or procedures in or affecting any of the Relevant Jurisdictions); or
 - (iii) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or there is any disruption in commercial banking, foreign exchange trading or securities settlement or clearance services, procedures or matters in those jurisdictions; or
 - (iv) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) (including without limitation a material devaluation of the Hong Kong dollar, the Renminbi, the United States dollar or the British pound sterling and any disruption in monetary, trading or securities settlement or clearance services, procedures or matters) in any of the Relevant Jurisdictions affecting an investment in our Shares; or
- (vii) any actions, suits, claims (whether or not any such claim involves or results in any actions or proceedings), demands, investigations, judgement, awards and proceedings, joint or several, from time to time instituted, made or brought or threatened or alleged to be instituted, made or brought against or otherwise involve (together, the “**Actions**”) of any third party being threatened or instigated against any member of our Group; or
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the chairman and Managing Director of our Company vacating his office in circumstances where the operations of our Group may be affected; or
- (x) the commencement by any regulatory or political body or organisation of any Action against a Director or any member of our Group or an announcement by any regulatory or political body or organisation that it intends to take any such Action; or
- (xi) a contravention by any member of our Group of the Cap. 622 Companies Ordinance or the Cap. 32 Companies (WUMP) Ordinance or the Companies Law or any of the Listing Rules or applicable laws; or
- (xii) a prohibition on our Company for whatever reason from offering, allotting or issuing or selling any of our Shares pursuant to the terms of the Share Offer; or
- (xiii) non-compliance of this prospectus and the Application Forms or any aspect of the Share Offer with the Listing Rules or any other applicable law; or
- (xiv) other than with the approval of the Sole Sponsor and the Joint Lead Managers, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription of our Shares) pursuant to the Cap. 32 Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

UNDERWRITING

- (xvi) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xvii) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) acting in good faith:

- (aa) is or is likely to or will or may have a material adverse effect on the business, financial, trading or other condition or prospects of our Company or our Group as a whole or to any present or prospective Shareholder of our Company in his/her/its capacity as such; or
- (bb) has or will have or may have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for, accepted, subscribed for or purchased or the distribution of Offer Shares or dealings in our Shares in the secondary market; or
- (cc) makes it inadvisable, inexpedient or impracticable to proceed with or market the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or
- (dd) has or will or is likely to have the effect of making any part of the Public Offer Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the Public Offer Underwriting Agreement.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertaking by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer, and in certain circumstances prescribed by Rule 10.08(1) to (5) of the Listing Rules.

UNDERWRITING

Undertaking 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 that except pursuant to the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholder), he/it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would then cease to be our Controlling Shareholder for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:

- (a) when he/it pledges or charges any securities of our Company or interests therein beneficially owned by him/it in favour of any authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

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Undertakings pursuant to the Public Offer Underwriting Agreement

Undertaking by us

Pursuant to the Public Offer Underwriting Agreement, we have undertaken to the Sole Sponsor and the Joint Lead Managers and each of the Public Offer Underwriters that we will not, and each of our Controlling Shareholders has undertaken to the Sole Sponsor, the Joint Lead Managers and each of the Public Offer Underwriters to procure that our Company will not, except pursuant to the Share Offer, without the prior written consent of the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement to the expiry of the First Six-month Period:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and in the event of us doing any of the foregoing during the period of six months immediately following the expiry of the First Six-month Period, we will, and each of our Controlling Shareholders will procure our Company to, take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to us, the Sole Sponsor, the Joint Lead Managers and each of the Public Offer Underwriters that, except pursuant to the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholder), each of them will not, and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Sole Sponsor and the Joint Lead

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Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement to the expiry of the First Six-month Period:

- (a) 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, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by it (including holding as a custodian) or with respect to which it has a beneficial ownership (collectively the “**Lock-up Shares**”) (the foregoing restriction is expressly agreed to preclude it from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than it. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Additionally, during the period of six months immediately following the expiry of the First Six-month Period, each of our Controlling Shareholders will not enter into any of the foregoing transactions in (a), (b), (c) or (d) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transaction, our Controlling Shareholders in aggregate will cease to be controlling shareholders within the meaning of the Listing Rules.

Subject to the restrictions above, until the expiry of the period of six months immediately following the expiry of the First Six-month Period, if any of our Controlling Shareholders enters into any of the foregoing transactions in (a), (b), (c) or (d) above or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all steps to ensure that it will not create a disorderly or false market in our Shares or other securities of our Company.

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Indemnity

We and each of our Controlling Shareholders have agreed to indemnify the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the provisions of the Public Offer Underwriting Agreement.

Commissions and expenses

The Public Offer Underwriters will receive a gross commission of 2.5% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters. In addition, our Company may pay a discretionary bonus to the Joint Lead Managers.

The aggregate commissions (exclusive of any discretionary bonus), together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the Offer Shares, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$20.6 million (assuming an Offer Price of HK\$0.79, which is the mid-point of the indicative Offer Price range) in total and are 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 us

Save for their respective obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in us or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Placing

In connection with the Share Offer, we expect our Company will enter into the Placing Underwriting Agreement with, amongst others, the Placing Underwriters. Pursuant to the Placing Underwriting Agreement, the Placing Underwriters, subject to certain conditions, will agree severally, not jointly nor jointly and severally, to subscribe and/or purchase or procure subscribers or buyers for the subscription or purchase of the Placing Shares being offered pursuant to the Placing.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to

UNDERWRITING

the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” above.

Sole Sponsor’s independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- (a) the Public Offer of 13,500,000 New Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed “Public Offer” in this section; and
- (b) the Placing of 121,500,000 Shares comprising 76,500,000 New Shares and 45,000,000 Sale Shares (subject to adjustment as mentioned below) to institutional and professional investors. Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing 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 and professional investors in Hong Kong. The Placing will involve selective marketing of the Placing Shares to institutional and professional investors.

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Placing Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

The number of Public Offer Shares to be offered under the Public Offer and the number of Placing Shares to be offered under the Placing, respectively may be subject to reallocation as described under the paragraph headed “Pricing and Allocation” in this section below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by an agreement between the Joint Lead Managers (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 before Friday, 4 August 2017 and in any event, no later than Saturday, 5 August 2017. The Offer Price will be not more than HK\$0.87 per Offer Share and is expected to be not less than HK\$0.71 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.

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Joint Lead Managers (for themselves and on behalf of the Underwriters) considers the number of Offer Shares being offered under the Share Offer and/or the Offer Price inappropriate, the Joint Lead Managers (for themselves and on behalf of the Underwriters), with prior written consent of our Company, may reduce the number of Offer Shares being offered under the Share Offer and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or the Offer Price. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.goldenfaith.hk. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Public Offer.

Our 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 Sole Sponsor and the Joint Lead Managers. Allocation of the Placing Shares pursuant to the Placing will be determined by the Sole Sponsor and the Joint Lead Managers 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 of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional or corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Public Offer will be based 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, although 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.

The final Offer Price, the level of indication of interest in the Placing, the results of applications in the Public Offer and the basis of allocations of the Public Offer Shares and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for Public Offer Shares — Publication of Results of Allocations” in this prospectus from Thursday, 10 August 2017.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Share Offer will be conditional upon:

- (a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer;
- (b) our Company having submitted to the HKSCC all requisite documents to enable our Shares to be admitted to trade on the Stock Exchange;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (c) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the agreement,

in each case on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Share Offer to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.goldenfaith.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Public Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

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.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Share Offer have become unconditional in all respects and (ii) the right of termination as described in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

PUBLIC OFFER

Number of Shares initially offered and their allocation

We are initially offering 13,500,000 New Shares at the Offer Price, representing 10% of the 135,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of our total issued Shares immediately after completion of the Share Offer. Individual retail investors are expected to apply for Offer Shares through the Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the Placing will not be allocated Offer Shares in the Public Offer.

For allocation purposes only, the total number of Public Offer Shares initially available for subscription by the public under the Public Offer, on a **WHITE** or **YELLOW** Application Form will be divided equally (to the nearest board lot) into two pools for allocation purposes: Pool A and Pool B. The

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with a total subscription amount of HK\$5.0 million or below (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with a total subscription amount of more than HK\$5.0 million (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total initial value of Pool B.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. The applicant can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within Pool A or Pool B.

In the case of over-subscription, allocation of the Public Offer Shares to investors under the Public Offer, both in relation to Pool A and Pool B, will be based solely on the level of valid applications received under the Public Offer. The basis of allocation in each pool may vary, depending on the number of Public Offer Shares validly applied for by each applicant. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares. Multiple or suspected multiple applications and any application for more than 50% of the Public Offer Shares initially being offered for subscription by the public (that is, to apply for more than 6,750,000 Shares) are liable to be rejected.

The allocation of Shares between the Public Offer and the Placing is subject to adjustment. 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, or (iii) 100 times or more, of the number of Offer Shares initially available under the Public Offer, the total number of Offer Shares available under the Public Offer will be increased to 40,500,000, 54,000,000 and 67,500,000 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, and such reallocation being referred to in this prospectus as “**Mandatory Reallocation**”. In such cases, the number of Offer Shares allocated in the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Public Offer.

If the Public Offer is not fully subscribed, the Sole Sponsor and the Joint Lead Managers have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Sponsor and the Joint Lead Managers deem appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Sponsor and the Joint Lead Managers may, at their sole discretion, reallocate Shares initially allocated for the Placing to the Public Offer to satisfy valid applications in Pool A and Pool B under the Public Offer, regardless of whether the Mandatory Reallocation is triggered.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Placing Shares under the Placing.

Our Company, our Directors and the Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have received Shares in the Placing and to identify and reject indications of interest in the Placing from investors who have received Shares in the Public Offer.

The Offer Price will be not more than HK\$0.87 and is expected to be not less than HK\$0.71. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.87 per Offer Share plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. Further details are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$0.87, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

PLACING

Number of Offer Shares offered and their allocation

The number of Offer Shares to be initially offered for subscription and purchase under the Placing will be 121,500,000 Shares comprising 76,500,000 New Shares and 45,000,000 Sale Shares (subject to adjustment), representing 90% of the Offer Shares under the Share Offer.

The Placing is subject to the Public Offer being unconditional. Subject to any reallocation of Offer Shares between the Placing and the Public Offer, the Placing Shares will represent 22.5% of our total issued Shares immediately after completion of the Share Offer.

Pursuant to the Placing, the Placing Underwriters will conditionally place our Shares with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" in this section and 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 Shares, and/or hold or sell its Shares, after the listing of

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers in order to allow it to identify the relevant applications under the Public Offer and to consider whether it should be excluded from any application for Shares under the Public Offer.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 11 August 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 11 August 2017. The Shares will be traded in board lots of 3,000 Shares each. The stock code of the Shares will be 2863.

UNDERWRITING ARRANGEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement.

We expect that we will enter into the Placing Underwriting Agreement relating to the Placing on or about Friday, 4 August 2017.

The underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

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 U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

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 duly authorised under a power of attorney, the Joint Lead Managers may accept it at their discretion and on any conditions if think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate of any of the above;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

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.

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 Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 31 July 2017 until 12:00 noon on Thursday, 3 August 2017 from:

- (a) the following offices of the Joint Lead Managers:

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower
3 Connaught Road Central
Hong Kong

Ping An Securities Limited
Unit 02, 2/F, China Merchants Building
152-155 Connaught Road Central
Hong Kong

Yuanta Securities (Hong Kong) Company
Limited
23/F, Tower 1, Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road, Central, Hong Kong
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing, Hong Kong
Kowloon	Prince Edward Road West (Mong Kok) Branch	116–118 Prince Edward Road West, Mong Kok, Kowloon, Hong Kong
	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon, Hong Kong
New Territories	Yuen Long Branch	102–108 Castle Peak Road, Yuen Long, the New Territories, Hong Kong
	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18–24 Shan Mei Street, Fotan, the New Territories, Hong Kong

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 31 July 2017 until 12:00 noon on Thursday, 3 August 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — GOLDEN FAITH PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

- Monday, 31 July 2017 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 1 August 2017 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 2 August 2017 — 9:00 a.m. to 5:00 p.m.
- Thursday, 3 August 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 Thursday, 3 August 2017, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather Conditions on the Opening of the Application Lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their respective 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;
- (b) agree to comply with the Cap. 32 Companies (WUMP) Ordinance and the Articles of Association;
- (c) 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;
- (d) 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;
- (e) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (f) agree that none of our Company, 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);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, 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;
- (i) 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 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) 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;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) 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 refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) 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;
- (q) understand that our Company and the Joint Lead Managers 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;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR PUBLIC OFFER SHARES

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place,
Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for 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 Lead Managers and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Lead Managers 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 Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Cap. 32 Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, Cap. 32 Companies (WUMP) Ordinance, Cap. 622 Companies Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 3,000 Public Offer Shares. Instructions for more than 3,000 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:

Monday, 31 July 2017 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 1 August 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 2 August 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 3 August 2017 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 31 July 2017 until 12:00 noon on Thursday, 3 August 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 3 August 2017, the last application day or such later time as described in the paragraph headed “Effect of Bad Weather Conditions 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 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 Cap. 32 Companies (WUMP) 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 Cap. 32 Companies (WUMP) Ordinance (as applied by section 342E of the Cap. 32 Companies (WUMP) Ordinance).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint 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.

WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such 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 Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 3 August 2017.

HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

HOW TO APPLY FOR PUBLIC OFFER SHARES

“**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).

HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 3,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 3,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the paragraph headed “Structure and Conditions of the Share Offer — Pricing and Allocation” in this prospectus.

EFFECT OF BAD WEATHER CONDITIONS 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 Thursday, 3 August 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 Thursday, 3 August 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

HOW TO APPLY FOR PUBLIC OFFER SHARES

PUBLICATION OF RESULTS OF ALLOCATIONS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the results of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 10 August 2017 in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on our Company's website at **www.goldenfaith.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.goldenfaith.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, 10 August 2017;
- from the designated results of allocations website at **www.unioniporeresults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 10 August 2017 to 12:00 midnight on Wednesday, 16 August 2017;
- by telephone enquiry line by calling (852) 2843 6081 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 August 2017 to Tuesday, 15 August 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 August 2017 to Monday, 14 August 2017 at all the designated receiving bank branches on a Business Day.

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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Cap. 32 Companies (WUMP) Ordinance (as applied by section 342E of the Cap. 32 Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers 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.

(c) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

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\$0.87 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 paragraph headed "Structure and Conditions of the Share Offer — Conditions of the Public 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, 10 August 2017.

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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 10 August 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 order(s).

Share certificates will only become valid certificate of title at 8:00 a.m. on Friday, 11 August 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 10 August 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 10 August 2017, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) 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, 10 August 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 10 August 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you apply 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 paragraph headed "Publication of Results of Allocations" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 August 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.

(c) 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, 10 August 2017, or, on any other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 paragraph headed “Publication of Results of Allocations” in this section above on Thursday, 10 August 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 August 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, 10 August 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 August 2017.

ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer 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 Offer Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-43, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GOLDEN FAITH GROUP HOLDINGS LIMITED AND GUOYUAN CAPITAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Golden Faith Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-43, which comprises the consolidated statements of financial position of the Group as at 30 September 2014, 2015 and 2016 and 31 January 2017, the statement of financial position of the Company as at 31 January 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 30 September 2014, 2015 and 2016 and the four months ended 31 January 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-43 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 July 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 January 2017 and the Group's financial position as at 30 September 2014, 2015, 2016 and 31 January 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 31 January 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the companies now comprising the Group in respect of the Track Record Period.

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

31 July 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on consolidated financial statements of the Company and its subsidiaries for the Track Record Period ("Underlying Financial Statements"). The Underlying Financial Statements have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in HK dollar ("HK\$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 30 September			Four months ended 31 January	
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Revenue	6	132,884	180,760	192,139	42,212	107,462
Cost of sales		<u>(110,640)</u>	<u>(136,101)</u>	<u>(145,302)</u>	<u>(30,313)</u>	<u>(87,099)</u>
Gross profit		22,244	44,659	46,837	11,899	20,363
Other income	7	12	6	5	4	—
Other gains and losses	7	—	(1,486)	206	25	(32)
Administrative expenses		(7,686)	(9,349)	(9,980)	(2,965)	(4,422)
Listing expenses		—	—	(700)	—	(7,300)
Finance costs	8	<u>(618)</u>	<u>(227)</u>	<u>(33)</u>	<u>(7)</u>	<u>(4)</u>
Profit before taxation		13,952	33,603	36,335	8,956	8,605
Taxation	9	<u>(2,259)</u>	<u>(5,539)</u>	<u>(5,967)</u>	<u>(1,118)</u>	<u>(2,687)</u>
Profit and total comprehensive income for the year/period	10	<u>11,693</u>	<u>28,064</u>	<u>30,368</u>	<u>7,838</u>	<u>5,918</u>
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Company		11,693	28,064	29,413	7,838	5,918
Non-controlling interests		<u>—</u>	<u>—</u>	<u>955</u>	<u>—</u>	<u>—</u>
		<u>11,693</u>	<u>28,064</u>	<u>30,368</u>	<u>7,838</u>	<u>5,918</u>
Earnings per share						
Basic (HK\$)	13	<u>0.16</u>	<u>0.37</u>	<u>0.29</u>	<u>0.11</u>	<u>0.02</u>

Consolidated Statements of Financial Position

	Notes	The Group				The Company
		As at 30 September 2014 HK\$'000	As at 30 September 2015 HK\$'000	2016 HK\$'000	As at 31 January 2017 HK\$'000	As at 31 January 2017 HK\$'000
NON-CURRENT ASSETS						
Property, plant and equipment	14	5,381	5,277	5,625	3,398	—
Investments in subsidiaries		—	—	—	—	—*
Deferred tax assets	15	257	257	186	177	—
Deposits	17	23	46	30	30	—
		<u>5,661</u>	<u>5,580</u>	<u>5,841</u>	<u>3,605</u>	<u>—</u>
CURRENT ASSETS						
Trade receivables	16	40,828	12,043	16,979	19,175	—
Other receivables, prepayments and deposits	17	5,447	1,231	3,897	4,466	2,229
Amounts due from customers for contract work	18	14,689	23,973	63,296	58,313	—
Amount due from a shareholder	22	—	—	—	893	893
Pledged bank deposits	19	5,768	5,768	5,769	5,768	—
Bank balances and cash	19	8,571	19,359	36,728	44,715	14,375
		<u>75,303</u>	<u>62,374</u>	<u>126,669</u>	<u>133,330</u>	<u>17,497</u>
Asset classified as held for sale	14	—	—	—	2,058	—
		<u>75,303</u>	<u>62,374</u>	<u>126,669</u>	<u>135,388</u>	<u>17,497</u>
CURRENT LIABILITIES						
Trade payables	20	22,484	8,005	13,534	11,485	—
Other payables and accrued charges	21	3,737	4,312	7,321	6,239	500
Deposits from a customer	21	—	—	19,724	—	—
Amounts due to customers for contract work	18	11,181	649	1,530	28,625	—
Amounts due to shareholders	22	5,907	2,965	2,782	14,247	—
Amount due to a subsidiary	35	—	—	—	—	14,300
Tax liabilities		1,713	6,678	8,368	6,171	—
Obligation under finance lease	25	—	—	142	145	—
Bank borrowings	23	12,444	1,266	—	—	—
		<u>57,466</u>	<u>23,875</u>	<u>53,401</u>	<u>66,912</u>	<u>14,800</u>
NET CURRENT ASSETS		<u>17,837</u>	<u>38,499</u>	<u>73,268</u>	<u>68,476</u>	<u>2,697</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,498</u>	<u>44,079</u>	<u>79,109</u>	<u>72,081</u>	<u>2,697</u>
NON-CURRENT LIABILITIES						
Provisions	24	764	581	631	735	—
Obligation under finance lease	25	—	—	112	62	—
		<u>764</u>	<u>581</u>	<u>743</u>	<u>797</u>	<u>—</u>
NET ASSETS		<u>22,734</u>	<u>43,498</u>	<u>78,366</u>	<u>71,284</u>	<u>81,063</u>
CAPITAL AND RESERVES						
Share capital	26	5,000	5,000	—*	—*	—*
Reserves		<u>17,734</u>	<u>38,498</u>	<u>78,366</u>	<u>71,284</u>	<u>2,697</u>
Equity attributable to owners of the Company		<u>22,734</u>	<u>43,498</u>	<u>78,366</u>	<u>71,284</u>	<u>2,697</u>

* The amount is less than HK\$1,000

Consolidated Statements of Changes In Equity

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2013	5,000	—	8,241	13,241	—	13,241
Profit and total comprehensive income for the year	—	—	11,693	11,693	—	11,693
Dividend declared (<i>note 12</i>)	—	—	(2,200)	(2,200)	—	(2,200)
At 30 September 2014	5,000	—	17,734	22,734	—	22,734
Profit and total comprehensive income for the year	—	—	28,064	28,064	—	28,064
Dividend declared (<i>note 12</i>)	—	—	(7,300)	(7,300)	—	(7,300)
At 30 September 2015	5,000	—	38,498	43,498	—	43,498
Profit and total comprehensive income for the year	—	—	29,413	29,413	955	30,368
Dividend declared (<i>note 12</i>)	—	—	(10,500)	(10,500)	—	(10,500)
Deemed partial disposal of subsidiaries upon reorganisation stated in note 2(i)	—	(14,887)	—	(14,887)	14,887	—
Contribution from Superior Ace Investments Limited ("Superior Ace") (<i>note 2(iii)</i>)	—	11,250	—	11,250	3,750	15,000
Transfer upon reorganisation stated in note 2(v)	(5,000)	24,592	—	19,592	(19,592)	—
At 30 September 2016	—	20,955	57,411	78,366	—	78,366
Profit and total comprehensive income for the period	—	—	5,918	5,918	—	5,918
Dividend declared (<i>note 12</i>)	—	—	(23,000)	(23,000)	—	(23,000)
Contribution from Superior Ace (<i>note 2(vi)</i>)	—	10,000	—	10,000	—	10,000
At 31 January 2017	—	30,955	40,329	71,284	—	71,284
At 1 October 2015	5,000	—	38,498	43,498	—	43,498
Profit and total comprehensive income for the period (unaudited)	—	—	7,839	7,839	—	7,839
At 31 January 2016 (unaudited)	5,000	—	46,337	51,337	—	51,337

Consolidated Statements of Cash Flows

	Year ended 30 September			Four months ended 31 January	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	13,952	33,603	36,335	8,956	8,605
Adjustments for:					
Interest income	(1)	(1)	(1)	—	—
Finance costs	618	227	33	7	4
Gain on disposal of property, plant and equipment	—	(125)	(116)	—	—
Depreciation	529	473	577	181	227
Impairment loss recognised in respect of other receivables	—	1,611	—	—	—
Operating cash flows before movements in working capital	15,098	35,788	36,828	9,144	8,836
(Increase) decrease in trade receivables	(30,277)	28,785	(4,936)	(12,406)	(2,196)
Decrease (increase) in other receivables, prepayments and deposits	6,094	1,582	(2,650)	(208)	(569)
Decrease (increase) in amounts due from/to customers of contract work, net	3,872	(19,816)	(38,442)	(2,248)	32,078
Increase (decrease) in trade payables	5,389	(14,479)	5,529	2,136	(2,049)
Increase (decrease) in other payables and accrued charges	1,219	575	3,009	1,730	(1,082)
Increase (decrease) in deposits from a customer	—	—	19,724	—	(19,724)
(Decrease) increase in provisions	(3,160)	(183)	50	(16)	104
Cash (used in) generated from operations	(1,765)	32,252	19,112	(1,868)	15,398
Income tax paid	(485)	(574)	(4,660)	(694)	(4,875)
Income tax refunded	—	—	454	—	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(2,250)	31,678	14,906	(2,562)	10,523
INVESTING ACTIVITIES					
Bank interest received	1	1	1	—	—
Repayment from a subcontractor	—	1,000	—	—	—
Purchase of property, plant and equipment	(333)	(464)	(660)	(53)	(58)
Proceeds on disposal of property, plant and equipment	—	220	143	—	—
Withdrawal of pledged bank deposits	5,767	5,768	5,768	5,769	5,769
Placement of pledged bank deposits	(5,768)	(5,768)	(5,769)	(5,769)	(5,768)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(333)	757	(517)	(53)	(57)

	Year ended 30 September			Four months ended 31 January	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
FINANCING ACTIVITIES					
Interest paid	(618)	(227)	(33)	(7)	(4)
Bank borrowings raised	5,000	5,000	—	—	—
Repayment of bank borrowings	(3,734)	(5,000)	(1,266)	(1,266)	—
Repayment of obligation under finance lease	—	—	(38)	—	(47)
Dividend paid	(2,200)	(7,300)	(10,500)	—	(11,000)
Advance from a shareholder	11,050	8,597	14,500	—	302
Repayment to a shareholder	(11,167)	(11,539)	(14,683)	(4,338)	(1,730)
Contribution from Superior Ace	—	—	15,000	—	10,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(1,669)</u>	<u>(10,469)</u>	<u>2,980</u>	<u>(5,611)</u>	<u>(2,479)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,252)	21,966	17,369	(8,226)	7,987
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	<u>1,645</u>	<u>(2,607)</u>	<u>19,359</u>	<u>19,359</u>	<u>36,728</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	<u><u>(2,607)</u></u>	<u><u>19,359</u></u>	<u><u>36,728</u></u>	<u><u>11,133</u></u>	<u><u>44,715</u></u>
Analysis of cash and cash equivalents					
Bank balances and cash	8,571	19,359	36,728	11,133	44,715
Bank overdrafts	<u>(11,178)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>(2,607)</u></u>	<u><u>19,359</u></u>	<u><u>36,728</u></u>	<u><u>11,133</u></u>	<u><u>44,715</u></u>

Notes To The Historical Financial Information

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands on 12 October 2016. The address of the registered office and principal place of business are stated in the "Corporate Information" section of the Prospectus. The immediate holding company of the Company is Superior Ace which is incorporated in the British Virgin Islands (the "BVI").

The Company is an investment holding company. The principal activities of the Group is principally engaged in the provision of electrical engineering services in Hong Kong.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the group reorganisation ("Reorganisation") detailed below, the Company has become the holding company of the companies now comprising the Group on 24 November 2016. The Company and its subsidiaries have been under the common control of Mr. Yung On Wah ("Mr. Yung") throughout the Track Record Period, and before and after the Reorganisation, or since their respective dates of incorporation, where there is a shorter period.

Historically, the Group's two operating subsidiaries, Cornwall Contracting Company Limited ("CCCL") and Cornwall Electrical Engineering Limited ("CEEL"), were directly wholly owned and controlled by Mr. Yung. In preparation of the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the Reorganisation involving steps which include the interspersing of certain investment holding companies between Mr. Yung and these operating subsidiaries, as well as the introduction of an independent investor as a non-controlling shareholder (the "Pre-IPO Investor"), while Mr. Yung retains control over the companies comprising the Group during the Track Record Period and before and after the Reorganisation.

As a result of the Reorganisation, the Company became the holding company of the companies now comprising the Group, whereas Superior Ace, an entity controlled by Mr. Yung not forming part of the Group, became the Company's immediate and ultimate holding company.

Accordingly, the Historical Financial Information has been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" (the "Accounting Guideline 5") issued by HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 30 September 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 has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

Accounting Guideline 5 was applied to account for the business combinations under common control effected for the purpose of the Reorganisation and the Group was treated as a continuation of existing business under merger accounting (see below for basic principles of Accounting Guideline 5 and accounting policy for merger accounting). According to Accounting Guideline 5, all equity interest attributable to parties other than controlling party, namely, Mr. Yung, is treated as non-controlling interests. Therefore, the increase in equity of the Group during the Track Record Period as a result of the funding from the Pre-IPO Investor which is not attributable to Mr. Yung, are treated as deemed non-controlling interest.

The Reorganisation steps are described below.

- (i) On 5 July 2016, Superior Ace was incorporated in the BVI by Mr. Yung as a limited liability company. Superior Ace is authorised to issue 50,000 shares with a par value of United States dollar ("US\$") 1.00 each. On 8 August 2016, 7,500 shares of Superior Ace were allotted and issued to Mr. Yung. On the same date, Superior Ace issued 2,500 shares to Pre-IPO Investor at a subscription amount of HK\$15,000,000 pursuant to the subscription agreement. As a result, Mr. Yung and Pre-IPO investor held 7,500 shares and 2,500 shares in Superior Ace, representing 75% and 25% of the entire issued share capital of Superior Ace respectively.

- (ii) On 8 August 2016, Mr. Yung transferred the entire issued share capital of CCCL to Superior Ace for HK\$1. On the same date, Mr. Yung transferred the entire issued share capital of CEEL to Superior Ace for HK\$1. Upon the completion of transfer, CCCL and CEEL became the wholly-owned subsidiaries of Superior Ace.
- (iii) Superior Ace contributed HK\$15,000,000 to the Group on 18 August 2016.
- (iv) On 21 September 2016, Champion Goal Investments Limited (“Champion Goal”) was incorporated as a limited liability company in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. 1 share in Champion Goal was issued and allotted to Superior Ace on the same date.
- (v) On 29 September 2016, Superior Ace transferred the entire issued share capital of CCCL and CEEL to Champion Goal at cash consideration of HK\$1 respectively, and CCCL and CEEL became the wholly-owned subsidiaries of Champion Goal.
- (vi) The Company was incorporated in the Cayman Islands with limited liability on 12 October 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 1 share of the Company was allotted and issued to Superior Ace on the same date. On 23 November 2016, 9,999 shares of the Company were allotted and issued to Superior Ace at a cash consideration of HK\$25,000,000, of which HK\$15,000,000 were received on 18 August 2016 (as disclosed in note 2(iii) above).
- (vii) On 24 November 2016, Superior Ace transferred the entire issued share capital of Champion Goal to the Company at a consideration of HK\$1. Upon the transfer, Champion Goal became the wholly-owned subsidiary of the Company.
- (viii) On 24 November 2016, Pre-IPO Investor transferred 2,500 shares in Superior Ace, representing 25% of the entire issued share capital of Superior Ace, to Greatly Success Investment Trading Limited (“Greatly Success”), which is wholly owned by the Pre-IPO Investor, at a cash consideration of HK\$1.
- (ix) On 5 December 2016, Superior Ace repurchased 2,500 shares of Superior Ace from Greatly Success in consideration of the transfer of 25% interest of the Company to Greatly Success. As a result, Mr. Yung holds 100% of the entire issued share capital of Superior Ace, and Superior Ace and Greatly Success hold 7,500 shares and 2,500 shares of the Company respectively, representing 75% and 25% of the issued share capital of the Company.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has applied all HKFRSs which are effective for the Group’s accounting period beginning on 1 October 2016, consistently throughout the Track Record Period.

The Group has not early applied the following new and amendments to HKFRSs and interpretation (the “new and revised HKFRSs”) that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKAS 7	Disclosure initiative ³
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ³
Amendments to HKAS 40	Transfers of investment property ¹
Amendments to HKFRS 2	Clarifications and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle ⁵
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration ¹

- ¹ Effective for annual periods beginning on or after 1 January 2018.
- ² Effective for annual periods beginning on or after 1 January 2019.
- ³ Effective for annual periods beginning on or after 1 January 2017.
- ⁴ Effective for annual periods beginning on or after a date to be determined.
- ⁵ 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 Hong Kong Accounting Standards (“HKAS”) 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the Group’s financial information in the future based on the existing business model of the Group as at 31 January 2017.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments and finance lease payments as operating cash flows and financing cash flows respectively. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As set out in note 30, total operating lease commitment of the Group in respect of leased premises as at 31 January 2017 is amounted to HK\$828,000. Upon the adoption of HKFRS 16, the directors of the Company expect that the commitments in the future in respect of leased premises with terms more than 12 months will be required to be recognised in the financial statements of the Group in future as right-of-use assets and lease liabilities and the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain simple debt instruments.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group's financial assets as at 31 January 2017 and anticipate that the application of HKFRS 9 in the future may result in provision of expected credit losses on financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 October 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except for the above, the directors of the Company anticipates that the application of other new and revised HKFRSs will have no material impact on the Group's future consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA and included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Historical cost is generally based on fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the

asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment" and 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 net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year 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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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 Historical Financial Information incorporates 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 business first came under common control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying 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 and 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 include 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.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from engineering service contracts is based on the stage of completion at the end of each reporting period. The Group's policy for recognition of revenue from engineering services is described in the accounting policy for engineering service contracts below.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that 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.

Engineering service contracts

Where the outcome of an engineering service 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 each reporting period, measured based on the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. 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 an engineering service 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 expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is 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 statements of financial position under trade receivables.

Impairment loss on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 in profit or loss immediately.

Property, plant and equipment

Property, plant and equipment held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives 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 and is recognised in profit or loss.

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 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).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 at 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 finance costs in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits (such as long service payments) are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of each reporting period. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on 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 term of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation 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 each reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax is recognised 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 each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 by applying the effective interest rate, except for short-term receivables where the recognition of interest would be insignificant.

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 (including trade receivables, other receivables and deposits, amount due from a shareholder, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables 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 loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the 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 entered into 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 a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

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 for debt instruments.

Financial liabilities

Financial liabilities (including trade payables, other payables and accrued charges, amounts due to shareholders, amount due to a subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Engineering service contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each engineering service contract as the contract progresses. Budgeted engineering service 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, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit or loss recognised in each period.

Recognised amounts of engineering service contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going engineering service contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the engineering service contracts by the Group to external customers. The Group's revenue is solely derived from electrical engineering services with the focus on the supply, installation and maintenance of electrical system in Hong Kong during the Track Record Period. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property, plant and equipment amounting to HK\$5,381,000, HK\$5,277,000, HK\$5,625,000 and HK\$3,398,000 as at 30 September 2014, 2015 and 2016 and 31 January 2017 respectively are all located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue for each of the reporting period during the Track Record Period is as follows:

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				(unaudited)	
Customer A	62,752	88,769	27,552	5,633	13,106
Customer B	38,664	80,189	N/A*	4,986	N/A#
Customer C	27,250	N/A*	35,079	10,318	46,589
Customer D	N/A#	N/A*	111,524	20,428	20,811
Customer E	N/A#	N/A*	N/A*	N/A*	26,475

* Contributed to less than 10% of the Group's total revenue for the relevant year/period

No revenue attributed from the relevant customer

7. OTHER INCOME AND OTHER GAINS AND LOSSES**Other income**

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				(unaudited)	
Interest income	1	1	1	—	—
Others	11	5	4	4	—
	<u>12</u>	<u>6</u>	<u>5</u>	<u>4</u>	<u>—</u>

Other gains and losses

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				(unaudited)	
Impairment loss recognised in respect of other receivables (note 17(ii))	—	(1,611)	—	—	—
Gain on disposal of property, plant and equipment	—	125	116	—	—
Net exchange gain (loss)	—	—	90	25	(32)
	<u>—</u>	<u>(1,486)</u>	<u>206</u>	<u>25</u>	<u>(32)</u>

8. FINANCE COSTS

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				(unaudited)	
Interest on bank borrowings	618	227	21	—	—
Interest on finance lease	—	—	12	7	4
	<u>618</u>	<u>227</u>	<u>33</u>	<u>7</u>	<u>4</u>

9. TAXATION

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				(unaudited)	
Hong Kong Profits Tax:					
— Current tax	2,320	5,580	6,205	1,478	2,696
— Overprovision in prior years	(61)	(41)	(309)	(360)	—
Deferred tax charged (<i>note 15</i>)	—	—	71	—	9
	<u>2,259</u>	<u>5,539</u>	<u>5,967</u>	<u>1,118</u>	<u>2,687</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

The taxation for the year/period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				(unaudited)	
Profit before taxation	<u>13,952</u>	<u>33,603</u>	<u>36,335</u>	<u>8,956</u>	<u>8,605</u>
Taxation at Hong Kong Profits Tax rate of 16.5%	2,302	5,545	5,995	1,478	1,420
Tax effect of expenses not deductible for tax purposes	19	2	162	—	1,295
Tax effect of tax losses not recognised	—	—	54	—	—
Overprovision in prior years	(61)	(41)	(309)	(360)	—
Others	(1)	33	65	—	(28)
Taxation for the year/period	<u>2,259</u>	<u>5,539</u>	<u>5,967</u>	<u>1,118</u>	<u>2,687</u>

In April 2013, Hong Kong Inland Revenue Department (“IRD”) queried against CCCL regarding the significant difference between the staff cost shown in the financial statements and the amounts stated in the employer’s returns of remuneration. Up to 30 September 2014 and 2015 and 24 March 2016 (i.e. the date of last purchase of tax reserve certificate), the Company purchased tax reserve certificates of approximately HK\$226,000, HK\$376,000 and HK\$810,000, in aggregate, respectively. Upon investigation by the Group, it was revealed that a former employee misappropriated CCCL’s bank balances by overpayment on staff costs into her own personal bank account during the period between May 2006 and August 2012. The Group then took legal actions against this former employee and the final judgement is made by the court in Hong Kong in May 2016 that the former employee was sentenced to imprisonment.

Upon the final judgement of the above case, CCCL provided a settlement proposal to IRD. In August 2016, IRD has issued revised assessments for the years of assessments 2005/2006 to 2013/2014 with additional tax charge of HK\$76,000 in aggregate. Also, a tax penalty of HK\$280,000 was charged by the IRD and recognised as administrative expenses for the year ended 30 September 2016. After deduction of the additional tax charge and tax penalty, IRD refunded the tax reserve certificate amount of HK\$454,000 to the Group during the year ended 30 September 2016. As the tax case is finalised and conclusive, no provision is further considered.

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January 2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit and total comprehensive income for the year/period has been arrived at after charging:					
Staff costs:					
Directors’ remuneration (<i>note 11</i>)	1,017	1,152	1,213	426	510
Other staff costs	19,103	23,477	26,123	8,566	13,378
Contributions to retirement benefits schemes	645	759	883	280	358
	<u>20,765</u>	<u>25,388</u>	<u>28,219</u>	<u>9,272</u>	<u>14,246</u>
Auditor’s remuneration	126	140	380	126	126
Depreciation of property, plant and equipment	529	473	577	181	227
Minimum lease payments in respect of office premises	743	572	763	246	493

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Yung was appointed as executive director of the Company on 12 October 2016. The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as director of the group entities prior to becoming the director of the Company) by entities comprising the Group during the Track Record Period as follows:

	Mr. Yung <i>HK\$'000</i> <i>(Note i)</i>	Mr. Li Kar Fai Peter ("Mr. Li") <i>HK\$'000</i> <i>(Note iv)</i>	Total <i>HK\$'000</i>
Year ended 30 September 2014			
Other emoluments			
Salaries and other benefits	921	—	921
Bonus (<i>note ii</i>)	80	—	80
Retirement benefit scheme contributions	16	—	16
Total emoluments	<u>1,017</u>	<u>—</u>	<u>1,017</u>
Year ended 30 September 2015			
Other emoluments			
Salaries and other benefits	904	—	904
Bonus (<i>note ii</i>)	230	—	230
Retirement benefit scheme contributions	18	—	18
Total emoluments	<u>1,152</u>	<u>—</u>	<u>1,152</u>
Year ended 30 September 2016			
Other emoluments			
Salaries and other benefits	1,035	—	1,035
Bonus (<i>note ii</i>)	160	—	160
Retirement benefit scheme contributions	18	—	18
Total emoluments	<u>1,213</u>	<u>—</u>	<u>1,213</u>
Four months ended 31 January 2016 (unaudited)			
Other emoluments			
Salaries and other benefits	340	—	340
Bonus (<i>note ii</i>)	80	—	80
Retirement benefit scheme contributions	6	—	6
Total emoluments	<u>426</u>	<u>—</u>	<u>426</u>
Four months ended 31 January 2017			
Other emoluments			
Salaries and other benefits	350	—	350
Bonus (<i>note ii</i>)	154	—	154
Retirement benefit scheme contributions	6	—	6
Total emoluments	<u>510</u>	<u>—</u>	<u>510</u>

Notes:

- (i) Mr. Yung acts as chief executive of the Company.
- (ii) The discretionary bonus is determined by reference to the duties and responsibilities of Mr. Yung within the Group and the Group's performance.
- (iii) The director's emoluments shown above were mainly for his services in connection with the management of the affairs of the Group.
- (iv) Mr. Li was appointed as director of the Company on 23 November 2016. He is not employee or director of the group entities during the Track Record Period.

During the Track Record Period, no remuneration was paid by the Group to the director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. The director has not waived any remuneration during the Track Record Period.

(b) Employees' emoluments

The five highest paid individuals included Mr. Yung whose emoluments are included in the disclosures above for each of the years ended 30 September 2014, 2015 and 2016 and the four months ended 31 January 2016 (unaudited) and 2017. The emoluments of the remaining four individuals for each of the year ended 30 September 2014, 2015 and 2016 and the four months ended 31 January 2016 (unaudited) and 2017, respectively, were as follows:

	Year ended 30 September			Four months ended 31 January	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits	3,811	4,053	4,227	1,336	1,624
Bonus	470	915	748	374	658
Retirement benefit scheme contributions	64	72	72	24	24
	<u>4,345</u>	<u>5,040</u>	<u>5,047</u>	<u>1,734</u>	<u>2,306</u>

Their emoluments were within the following bands:

	Year ended 30 September			Four months ended 31 January	
	2014	2015	2016	2016	2017
				(unaudited)	
Nil to HK\$1,000,000	1	—	—	4	4
HK\$1,000,001 to HK\$1,500,000	<u>3</u>	<u>4</u>	<u>4</u>	<u>—</u>	<u>—</u>
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

During the year ended 30 September 2014, CCCL and CEEL declared dividends of HK\$1,500,000 (HK\$0.3 per share) and HK\$700,000 (HK\$0.7 per share) respectively to Mr. Yung. During the year ended 30 September 2015, CCCL declared dividends of HK\$7,300,000 (HK\$1.46 per share) to Mr. Yung. During the year ended 30 September 2016, CCCL declared dividends of HK\$10,500,000 (HK\$2.1 per share) to Mr. Yung. During the four months ended 31 January 2017, Champion Goal declared dividends of HK\$23,000,000 (HK\$23,000,000 per share) to the then shareholders.

Other than disclosed above, no dividend was paid or declared by the Company since its incorporation or by other group entities during the Track Record Period.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Year ended 30 September			Four months ended 31 January	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
Earnings				(unaudited)	
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to the owners of the Company)	<u>11,693</u>	<u>28,064</u>	<u>29,413</u>	<u>7,838</u>	<u>5,918</u>
	'000	'000	'000	'000	'000
Number of shares					
Number of shares for the purpose of calculating basic earnings per share	<u>75,000</u>	<u>75,000</u>	<u>101,434</u>	<u>75,000</u>	<u>384,146</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in Appendix IV to the Prospectus had been effective on 1 October 2013.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 October 2013	6,755	991	2,044	1,029	10,819
Addition	—	68	265	—	333
Disposals	—	—	(61)	—	(61)
At 30 September 2014	6,755	1,059	2,248	1,029	11,091
Additions	—	—	85	379	464
Disposals	—	(55)	—	(564)	(619)
At 30 September 2015	6,755	1,004	2,333	844	10,936
Additions	—	—	213	739	952
Disposals	—	—	(9)	(340)	(349)
At 30 September 2016	6,755	1,004	2,537	1,243	11,539
Additions	—	—	58	—	58
Reclassified as held for sale	(3,649)	—	—	—	(3,649)
At 31 January 2017	3,106	1,004	2,595	1,243	7,948
ACCUMULATED DEPRECIATION					
At 1 October 2013	1,931	809	1,736	766	5,242
Provided for the year	170	56	178	125	529
Eliminated on disposals	—	—	(61)	—	(61)
At 30 September 2014	2,101	865	1,853	891	5,710
Provided for the year	170	52	130	121	473
Eliminated on disposals	—	(11)	—	(513)	(524)
At 30 September 2015	2,271	906	1,983	499	5,659
Provided for the year	170	55	157	195	577
Eliminated on disposals	—	—	(9)	(313)	(322)
At 30 September 2016	2,441	961	2,131	381	5,914
Provided for the period	47	18	59	103	227
Reclassified as held for sale	(1,591)	—	—	—	(1,591)
At 31 January 2017	897	979	2,190	484	4,550
CARRYING VALUES					
At 30 September 2014	4,654	194	395	138	5,381
At 30 September 2015	4,484	98	350	345	5,277
At 30 September 2016	4,314	43	406	862	5,625
At 31 January 2017	2,209	25	405	759	3,398

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the lease or 50 years
Leasehold improvement	20%
Furniture, fixtures and equipment	20%
Motor vehicles	25%

As at 30 September 2014, 2015 and 2016, the Group has pledged two premises with carrying amounts of HK\$4,654,000, HK\$4,484,000 and HK\$4,314,000, respectively, to secure a banking facility granted to the Group. During the four months ended 31 January 2017, the pledge of one of the premises was released by the bank and the carrying amount of the pledged premise to secure a banking facility granted to the Group as at 31 January 2017 is HK\$2,115,000.

The carrying value of motor vehicle included an amount of approximately HK\$373,000 and HK\$332,000 in respect of assets held under finance lease as at 30 September 2016 and 31 January 2017.

On 12 December 2016, the Group entered into a provisional agreement with an independent third party for the disposal of one premise at a cash consideration of HK\$6,180,000 (the "Disposal") and the Disposal is completed on 16 February 2017. The premise with carrying amount of HK\$2,058,000 has been classified as asset held for sale as at 31 January 2017.

15. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised by the Group and movement thereon during the Track Record Period.

	Accelerated accounting depreciation <i>HK\$'000</i>
At 1 October 2013, 30 September 2014 and 30 September 2015	257
Charge to profit or loss	<u>(71)</u>
At 30 September 2016	186
Charge to profit or loss	<u>(9)</u>
At 31 January 2017	<u><u>177</u></u>

16. TRADE RECEIVABLES

The Group grants credit terms of 0–30 days to its customers from the date of invoices on progress payments of engineering service works. An ageing analysis of the trade receivables presented based on the invoice date at the end of each reporting period.

	As at 30 September			As at
	2014	2015	2016	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
				<i>HK\$'000</i>
0–30 days	35,677	10,573	16,910	18,551
31–60 days	742	478	5	55
61–90 days	4,268	790	—	505
91–180 days	—	5	—	—
Over 180 days	<u>141</u>	<u>197</u>	<u>64</u>	<u>64</u>
	<u><u>40,828</u></u>	<u><u>12,043</u></u>	<u><u>16,979</u></u>	<u><u>19,175</u></u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 87%, 88%, 99% and 97% of trade receivables as at 30 September 2014, 2015, 2016 and 31 January 2017, respectively, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$5,151,000, HK\$1,470,000, HK\$69,000 and HK\$624,000 which are past due at 30 September 2014, 2015, 2016 and 31 January 2017, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 74 days, 79 days, 171 days and 83 days as at 30 September 2014, 2015, 2016 and 31 January 2017, respectively.

Ageing analysis of trade receivables which are past due but not impaired

	As at 30 September			As at
	2014	2015	2016	31 January
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
31-60 days	742	478	5	55
61-90 days	4,268	790	—	505
91-180 days	—	5	—	—
Over 180 days	141	197	64	64
	<u>5,151</u>	<u>1,470</u>	<u>69</u>	<u>624</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the directors of the Company believe that no impairment required.

17. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group			The Company	
	As at 30 September			As at	As at
	2014	2015	2016	31 January	31 January
	HK\$'000	HK\$'000	HK\$'000	2017	2017
				HK\$'000	HK\$'000
Rental and other deposits	152	217	235	421	—
Deposits for materials purchase	1,249	275	115	146	—
Billed retention receivables (note i)	197	197	—	—	—
Prepayments and others	761	588	690	1,700	—
Prepaid and deferred listing expenses	—	—	2,887	2,229	2,229
Advance made to a subcontractor (note ii)	3,111	—	—	—	—
Total	<u>5,470</u>	<u>1,277</u>	<u>3,927</u>	<u>4,496</u>	<u>2,229</u>
Presented as non-current assets	23	46	30	30	—
Presented as current assets	<u>5,447</u>	<u>1,231</u>	<u>3,897</u>	<u>4,466</u>	<u>2,229</u>
Total	<u>5,470</u>	<u>1,277</u>	<u>3,927</u>	<u>4,496</u>	<u>2,229</u>

Notes:

- (i) Billed retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.
- (ii) Prior to the Track Record Period, the Group advanced HK\$3,111,000 to an independent subcontractor, which is unsecured, interest-free and repayable on demand. In August 2015, the Group entered a settlement agreement with the subcontractor to reduce the repayment amount to HK\$1.5 million due to the subcontractor's financial difficulty. Accordingly, impairment loss of HK\$1,611,000 was recognised to profit or loss during the year ended 30 September 2015. No impairment is considered during the year ended 30 September 2014 or before as the management of the Group did not aware any impairment indicator events, causing them to believe there was no deterioration of credit quality of the subcontractor.

18. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 30 September			As at
	2014	2015	2016	31 January
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Contracts in progress at the end of the reporting period:				
Contract costs incurred plus recognised profits less recognised loss	667,539	842,079	881,383	988,364
Less: Progress billings	<u>(664,031)</u>	<u>(818,755)</u>	<u>(819,617)</u>	<u>(958,676)</u>
Total	<u>3,508</u>	<u>23,324</u>	<u>61,766</u>	<u>29,688</u>
Analysed as:				
Amounts due from customers for contract work	14,689	23,973	63,296	58,313
Amounts due to customers for contract work	<u>(11,181)</u>	<u>(649)</u>	<u>(1,530)</u>	<u>(28,625)</u>
	<u>3,508</u>	<u>23,324</u>	<u>61,766</u>	<u>29,688</u>

Unbilled retention monies of HK\$20,898,000, HK\$21,488,000, HK\$20,748,000 and HK\$28,967,000 are included in the above contracts in progress as at 30 September 2014, 2015 and 2016 and 31 January 2017, respectively. Retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.

The unbilled retention receivables are expected to be settled, based on the expiring of the defect liability period, at the end of each reporting period as follows:

	As at 30 September			As at
	2014	2015	2016	31 January
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
On demand or within one year	2,884	4,318	11,611	18,110
After one year	<u>18,014</u>	<u>17,170</u>	<u>9,137</u>	<u>10,857</u>
Total	<u>20,898</u>	<u>21,488</u>	<u>20,748</u>	<u>28,967</u>

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 30 September 2014, 2015 and 2016 and 31 January 2017, pledged bank deposits represent deposits pledged to banks to secure the banking facility (including the bank borrowings and performance guarantee) granted to the Group, and carried with prevailing market interest rate ranging 0.01% per annum.

Bank balances and cash comprise cash and bank balances held by the Group and the Company with maturity of three months or less and carry interest at market rates which range from 0.01% to 0.05% per annum.

20. TRADE PAYABLES

The credit period on purchases and subcontracting of contract work services is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 September			As at
	2014	2015	2016	31 January
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
0-30 days	11,070	3,803	11,245	5,578
31-60 days	7,963	3,793	1,400	5,707
61-90 days	2,400	171	718	40
Over 90 days	1,051	238	171	160
	<u>22,484</u>	<u>8,005</u>	<u>13,534</u>	<u>11,485</u>

21. OTHER PAYABLES AND ACCRUED CHARGES AND DEPOSITS FROM A CUSTOMER**Other payables and accrued charges**

	The Group			The Company	
	As at 30 September			As at	As at
	2014	2015	2016	31 January	31 January
	HK\$'000	HK\$'000	HK\$'000	2017	2017
				HK\$'000	HK\$'000
Accrued charges for engineering service	696	315	1,261	1,210	—
Retention payables (<i>note</i>)	1,283	1,337	2,461	3,655	—
Other accrued charges	1,758	2,660	3,599	1,374	500
	<u>3,737</u>	<u>4,312</u>	<u>7,321</u>	<u>6,239</u>	<u>500</u>

Note:

Retention payables to subcontractors of contract works are unsecured, interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.

Deposits from a customer

Deposits from a customer represent deposits received from a customer in relation to an engineering service contract for the supply and installation of electrical system. As at 30 September 2016, service has yet to be rendered by the Group.

22. AMOUNTS DUE FROM/TO SHAREHOLDERS

Details of amount due from a shareholder, which is non-trade nature, unsecured, interest-free and repayable on demand, are as follows:

	The Group			The Company		Maximum outstanding amount			
	As at 30 September		2016 HK'000	As at 31 January 2017	As at 31 January 2017	During the year ended 30 September			During the four months ended 31 January 2017
	2014 HK'000	2015 HK'000		HK'000	HK'000	2014 HK'000	2015 HK'000	2016 HK'000	HK'000
Mr. Yung	—	—	—	893	893	—	—	—	893

In the opinion of the directors of the Company, the amount due from a shareholder is expected to be repaid before Listing.

Amounts due to shareholders

During the Track Record Period, Mr. Yung has from time to time, made short-term advances to the Group for its working capital requirement in respect of its operations. Details of amounts due to shareholders, which are non-trade nature, unsecured, interest-free and repayable on demand, are as follows:

	As at 30 September			As at 31 January 2017
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Mr. Yung	5,907	2,965	2,782	11,247
Pre-IPO Investor	—	—	—	3,000
	<u>5,907</u>	<u>2,965</u>	<u>2,782</u>	<u>14,247</u>

As at 31 January 2017, included in the balance above represented the dividend payable of HK\$9,000,000 and HK\$3,000,000 to Mr. Yung and the Pre-IPO Investor, respectively.

All the amounts due to shareholders were subsequently settled in March 2017.

23. BANK BORROWINGS

	As at 30 September			As at 31 January 2017
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Bank borrowings contain a repayment on demand clause and mature within one year	1,266	1,266	—	—
Bank overdrafts	<u>11,178</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>12,444</u>	<u>1,266</u>	<u>—</u>	<u>—</u>

The bank borrowings of HK\$1,266,000 and HK\$1,266,000 as at 30 September 2014 and 2015, respectively are at floating rate which carry interest in the best lending rate minus 1.5% per annum.

Bank overdrafts of HK\$11,178,000 as at 30 September 2014 are carried at the best lending rate plus 3% per annum.

The banking facilities including bank borrowings, bank overdrafts and performance guarantee were secured by:

- (i) the pledged bank deposits of HK\$5,768,000, HK\$5,768,000, HK\$5,769,000 and HK\$5,768,000 as at 30 September 2014, 2015, 2016 and 31 January 2017, respectively;
- (ii) a life insurance policy of Mr. Yung, which the pledge is released on 25 November 2016;
- (iii) premises owned by the Group as disclosed in note 14; and
- (iv) unlimited personal guarantee by Mr. Yung which is released on 25 November 2016.

24. PROVISIONS

	Onerous contracts <i>HK\$'000</i> <i>(note a)</i>	Long service payments and annual leave <i>HK\$'000</i> <i>(note b)</i>	Total <i>HK\$'000</i>
At 1 October 2013	3,416	508	3,924
Utilised for the year	(3,064)	(180)	(3,244)
Provided for the year	<u>—</u>	<u>84</u>	<u>84</u>
At 30 September 2014	352	412	764
Utilised for the year	(304)	(85)	(389)
Provided for the year	<u>—</u>	<u>206</u>	<u>206</u>
At 30 September 2015	48	533	581
Utilised for the year	(48)	—	(48)
Provided for the year	<u>—</u>	<u>98</u>	<u>98</u>
At 30 September 2016	—	631	631
Provided for the period	<u>—</u>	<u>104</u>	<u>104</u>
At 31 January 2017	<u>—</u>	<u>735</u>	<u>735</u>

Notes:

- (a) Amount represents the management's best estimate on the onerous engineering service contract in relation to installation of mechanical ventilation and air-conditioning system of the Group as management of the Group considers the unavoidable costs of meeting the obligations under such non-cancellable engineering service contract exceed the economic benefits expected to be received under such contract. These amounts have not been discounted for the purpose of measuring the provision because the effect is insignificant.
- (b) The Group provides for the probable future long service payments and annual leave payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees from their services to the group entities up to the end of each reporting period.

25. OBLIGATION UNDER FINANCE LEASE

	As at 30 September			As at
	2014	2015	2016	31 January
	HK\$'000	HK\$'000	HK\$'000	2017
Analysed for reporting purpose as:				HK\$'000
Non-current	—	—	112	62
Current	—	—	142	145
	—	—	254	207

The Group has leased a motor vehicle under finance lease. The lease term was two years for the Track Record Period. Interest rates underlying the obligation under finance lease were fixed as respective contract date at 2.75% per annum for the year ended 30 September 2016 and the four months ended 31 January 2017.

	Minimum payments				Present value of minimum lease payments			
	At 30 September		As at		At 30 September		As at	
	2014	2015	2016	2017	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance lease								
Within one year	—	—	152	152	—	—	142	145
More than one year but within two years	—	—	114	63	—	—	112	62
	—	—	266	215	—	—	254	207
Less: Future finance charges	—	—	(12)	(8)	—	—	—	—
Present value of lease obligation	—	—	254	207	—	—	254	207
Less: Amount due for settlement within one year (shown under current liabilities)					—	—	(142)	(145)
					—	—	112	62

The Group's obligation under finance lease was secured by the motor vehicle of the Group and was guaranteed by a key management personnel of the Group up to HK\$288,000.

26. SHARE CAPITAL

The Group

The issued share capital as at 1 October 2013, 30 September 2014 and 2015 represented the combined share capital of CCCL and CEEL. On 29 September 2016, Superior Ace transferred the entire issued share capital of CCCL and CEEL to Champion Goal. The share capital as at 30 September 2016 represented the share capital of Champion Goal. The share capital as at 31 January 2017 represented the share capital of the Company.

The Company

On 12 October 2016, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 1 share of the Company was allocated and issued to Superior Ace on the same date. On 23 November 2016, 9,999 shares of the Company were allotted and issued to Superior Ace.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group represents equity attributable to owners of the Company, comprising issued share capital, other reserves and retained profits.

Management of the Group reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues and raise of new borrowings.

28. FINANCIAL INSTRUMENTS**Categories of financial instruments**

	<u>The Group</u>			<u>The Company</u>	
	<u>As at 30 September</u>			<u>As at</u>	
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>31 January</u>	<u>31 January</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>	<i>2017</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets					
Loans and receivables (including cash and cash equivalents)	<u>59,184</u>	<u>37,397</u>	<u>59,484</u>	<u>71,291</u>	<u>15,268</u>
Financial liabilities					
Amortised cost	<u>44,572</u>	<u>16,548</u>	<u>23,637</u>	<u>31,971</u>	<u>14,800</u>

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, pledged bank deposits, bank balances and cash, trade payables, other payables and accrued charges, amounts due from/to shareholders and bank borrowings. The Company's major financial instruments include bank balances and cash, amount due from a shareholder, other payables and accrued charges and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. Accordingly, the management considers that the Group's exposure to foreign currency risk is minimal.

As at 30 September 2016 and 31 January 2017, the bank balances of HK\$390,000 and HK\$21,000 are denominated at British Pound (“GBP”), respectively. GBP is the currency other than the functional currencies of the respective group entities. Sensitivity analysis of strengthening 10% in functional currency of the Company (i.e. HK\$) against GBP resulted a decrease in post-tax profit of HK\$33,000 and HK\$2,000 during the year ended 30 September 2016 and the four months ended 31 January 2017, respectively. For a 10% weakening of HK\$ against GBP, there would be an equal and opposite impact on the results.

Interest rate risk

The Group’s cash flow interest rate risk primarily relates to the pledged bank deposits and bank balances (note 19).

The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on the interest income on pledged bank deposits and bank balances, hence sensitivity analysis is not presented.

Credit risk

The Group’s credit risk is primarily attributable to trade receivables, pledged bank deposits and bank balances.

The Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying each amount of the respective recognised financial assets as stated in the statements of financial position at the end of each reporting period.

Certain customers are government departments/organisations and thus credit risk is considered to be low. Except for the customers of government departments/organisations which the management of the Group considers are of good credit quality, management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. The largest debtor of each of the reporting period amounting to HK\$37,490,000, HK\$5,559,000, HK\$7,409,000 and HK\$10,305,000, comprised approximately 92%, 46%, 44% and 54% of the Group’s trade receivables as at 30 September 2014, 2015 and 2016 and 31 January 2017, respectively. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group’s credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered not material as such amounts are placed in banks with good reputations.

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.

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The Group

	Effective interest rate %	On demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amount HK\$'000
As at 30 September 2014							
Non-derivative financial liabilities							
Trade payables	N/A	—	22,484	—	—	22,484	22,484
Other payables and accrued charges	N/A	—	3,737	—	—	3,737	3,737
Amounts due to shareholders	N/A	5,907	—	—	—	5,907	5,907
Bank borrowings	8.2	12,444	—	—	—	12,444	12,444
		<u>18,351</u>	<u>26,221</u>	<u>—</u>	<u>—</u>	<u>44,572</u>	<u>44,572</u>

As at 30 September 2015							
Non-derivative financial liabilities							
Trade payables	N/A	—	8,005	—	—	8,005	8,005
Other payables and accrued charges	N/A	—	4,312	—	—	4,312	4,312
Amounts due to shareholders	N/A	2,965	—	—	—	2,965	2,965
Bank borrowings	3.5	1,266	—	—	—	1,266	1,266
		<u>4,231</u>	<u>12,317</u>	<u>—</u>	<u>—</u>	<u>16,548</u>	<u>16,548</u>

As at 30 September 2016							
Non-derivative financial liabilities							
Trade payables	N/A	—	13,534	—	—	13,534	13,534
Other payables and accrued charges	N/A	—	7,321	—	—	7,321	7,321
Amounts due to shareholders	N/A	2,782	—	—	—	2,782	2,782
Obligation under finance lease	5.2	—	38	114	114	266	254
		<u>2,782</u>	<u>20,893</u>	<u>114</u>	<u>114</u>	<u>23,903</u>	<u>23,891</u>

As at 31 January 2017							
Non-derivative financial liabilities							
Trade payables	N/A	—	11,485	—	—	11,485	11,485
Other payables and accrued charges	N/A	—	6,239	—	—	6,239	6,239
Amounts due to shareholders	N/A	14,247	—	—	—	14,247	14,247
Obligation under finance lease	5.2	—	38	114	63	215	207
		<u>14,247</u>	<u>17,762</u>	<u>114</u>	<u>63</u>	<u>31,293</u>	<u>32,178</u>

The Company

As at 31 January 2017							
Non-derivative financial liabilities							
Other payables and accrued charges	N/A	—	500	—	—	500	500
Amount due to a subsidiary	N/A	14,300	—	—	—	14,300	14,300
		<u>14,300</u>	<u>500</u>	<u>—</u>	<u>—</u>	<u>14,800</u>	<u>14,800</u>

The amount included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

As at 30 September 2014 and 2015, bank borrowings with a repayment on demand clause is included in the "On demand" time band in the above maturity analysis. As at 30 September 2014 and 2015, the aggregate carrying amount of these bank borrowings amounted to approximately HK\$1,266,000 and HK\$1,266,000, respectively. Taking into account the Group's financial position, management does not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of each reporting period in accordance with the scheduled repayment dates set out in the loan agreement.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreement as set out in the table below:

	Weighted average effective interest rate %	Less than 1 months HK\$'000	1-3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:					
As at 30 September 2014	3.5	424	849	1,273	1,266
As at 30 September 2015	3.5	424	849	1,273	1,266

Fair value of financial instruments

The management estimates the fair values of its financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

29. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 10.

30. OPERATING LEASE COMMITMENTS

As at 30 September 2014, 2015 and 2016 and 31 January 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 30 September			As at
	2014	2015	2016	31 January
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within one year	438	615	937	696
After one year but within five years	<u>12</u>	<u>192</u>	<u>120</u>	<u>132</u>
	<u>450</u>	<u>807</u>	<u>1,057</u>	<u>828</u>

The Group leases its office premises under operating lease arrangements. Leases for office premises are negotiated for fixed terms ranged from 1 to 3 years during the Track Record Period.

A lease agreement entered into between the landlord and the Group include a renewal option at the discretion of the Group for a further one from the end of the existing lease without a fixed rental being agreed at the moment. Accordingly, this is not included in the above commitment.

31. PLEDGE OF ASSETS

The Group has pledged two premises and certain bank balances as at 30 September 2014, 2015 and 2016 and pledged one premise and certain bank balances as at 31 January 2017 to secure the bank borrowings and banking facilities granted to the Group. Details are disclosed in notes 14 and 19 respectively.

32. PERFORMANCE GUARANTEE

As at 30 September 2014, 2015 and 2016 and 31 January 2017, performance guarantee of approximately HK\$5,767,000, HK\$5,767,000, HK\$5,767,000 and HK\$5,767,000 respectively were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantee have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantee will be released upon completion of the contract works. The performance guarantees were guaranteed by Mr. Yung.

At the end of each reporting period, the directors of the Company do not consider it is probable that a claim will be made against the Group.

33. RELATED PARTY TRANSACTIONS

Other than the related party transaction as set out in notes 23, 25 and 32, the Group has entered into the following related party transactions:

	Year ended 30 September			Four months ended	
	2014	2015	2016	31 January	2017
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				HK\$'000	HK\$'000
				(unaudited)	
Consultancy fee paid to Mr. Yung's spouse	94	130	70	50	—
Video production service fee paid to a son of Mr. Yung	<u>—</u>	<u>125</u>	<u>95</u>	<u>—</u>	<u>—</u>

Details of the balance with a director at the end of each reporting period are disclosed in the statements of financial position, consolidated statements of cash flows and note 22 to the Historical Financial Information.

As at 30 September 2016 and 31 January 2017, personal guarantee of approximately HK\$13,368,000 was given by Mr. Yung in favour of the Group's customer directly for the due performance of the Group's obligation under the contracts entered into between the Group and its customer.

Compensation of key management personnel

The remuneration of the director and other members of key management during the Track Record Period were as follows:

	Year ended 30 September			Four months ended 31 January	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Short-term benefits	5,282	6,102	6,170	2,130	2,786
Post-employment benefits	<u>80</u>	<u>90</u>	<u>90</u>	<u>30</u>	<u>30</u>
	<u>5,362</u>	<u>6,192</u>	<u>6,260</u>	<u>2,160</u>	<u>2,816</u>

34. NON-CASH TRANSACTION

During the year ended 30 September 2016, the Group entered into a finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the lease of HK\$292,000.

35. AMOUNT DUE TO A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

36. RESERVES OF THE COMPANY

	Accumulated loss HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 12 October 2016 (date of incorporation)	—	—	—
Loss and total comprehensive expense for the period	(7,303)	—	(7,303)
Contribution from Superior Ace (note 2(vi))	<u>—</u>	<u>10,000</u>	<u>10,000</u>
At 31 January 2017	<u>(7,303)</u>	<u>10,000</u>	<u>2,697</u>

37. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place of incorporation/ operation	Date of incorporation	Issued and paid up capital	Proportion of ownership interest attributable to the Company				As at date of report	Principal activities	Notes
				30 September 2014	30 September 2015	30 September 2016	31 January 2017			
Champion Goal	BVI	21 September 2016	US\$1	N/A	N/A	100%	100%	100%	Investment holding	(a)
CCCL	Hong Kong	12 June 1987	HK\$5,000,000	100%	100%	100%	100%	100%	Electric and maintenance engineering business in Hong Kong	(b)
CEEL	Hong Kong	3 February 2010	HK\$1	100%	100%	100%	100%	100%	Electric and maintenance engineering business in Hong Kong	(b)

Except for CCCL which adopted 31 March as its financial year end date, all other companies comprising the Group have adopted 30 September as their financial year end date.

Notes:

- (a) No audited financial statements have been prepared for Champion Goal since its respective date of incorporation in a jurisdiction where there is no statutory audit requirements.
- (b) We have acted as the statutory auditor of CEEL for the year ended 30 September 2016 and the statutory financial statements of CEEL for the year ended 30 September 2016 were prepared in accordance with HKFRSs issued by the HKICPA. The statutory financial statements of CCCL for each of the three years ended 31 March 2016 and statutory financial statements for CEEL for each of the two years ended 30 September 2015, which were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by HKICPA, were audited by C.W. Kwan & Company, a firm of certified public accountants registered in Hong Kong.

38. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group and details as below:

On 22 July 2017, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Written resolutions of our then Shareholders passed on 22 July 2017" in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) conditionally adopted a share option scheme. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus;
- (ii) the authorized share capital of the Company be increased to HK\$100,000,000 divided into 10,000,000,000 shares of the Company of HK\$0.01 each by the creation of an additional 9,962,000,000 shares of the Company; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the share offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$4,499,900 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 449,990,000 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 22 July 2017.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, any of its subsidiaries or the Group in respect of any period subsequent to 31 January 2017.

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 30 September 2016 and the four months ended 31 January 2017 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, our Company's Reporting Accountants (the "Accountants' Report"), as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as if the Share Offer had taken place on 31 January 2017.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 January 2017 or any future date following the Share Offer.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2017 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 January 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 January 2017	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 January 2017 per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on Offer Price of HK\$0.87 per Share	<u>71,284</u>	<u>67,789</u>	<u>139,073</u>	<u>0.258</u>
Based on Offer Price of HK\$0.71 per Share	<u>71,284</u>	<u>53,749</u>	<u>125,033</u>	<u>0.232</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 90,000,000 New Shares at Offer Price of lower limit and upper limit of HK\$0.71 and HK\$0.87 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses to be incurred by the Group subsequent to 1 February 2017. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchase Shares referred to in the section headed "Issue Mandate" or the section headed "Repurchase Mandate".
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company per Share is arrived at on the basis that 540,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer had been completed on 31 January 2017 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "Issue Mandate" or the section headed "Repurchase Mandate".
- (4) No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 January 2017 to reflect any trading results or other transactions of the Group entered into subsequent to 31 January 2017.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Golden Faith Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Golden Faith Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted net tangible assets as at 31 January 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 July 2017 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offer of shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Share Offer**”) on the Group's financial position as at 31 January 2017 as if the Share Offer had taken place at 31 January 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the three years ended 30 September 2016 and the four months ended 31 January 2017, on which an Accountants' Report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 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 (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in 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 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 July 2017

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 October 2016 under the Companies Law. The Company's constitutional documents consist of its Memorandum and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 July 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue 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. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such

share held by him. 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 ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled. The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly

stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to 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 requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made 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 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 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors. The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions 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 and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors, may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange 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 are 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 is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not 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

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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.

(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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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 ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, 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

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for 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 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 contract or arrangement concerning an offer of shares or 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 contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(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, in the case of such members as 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 in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting, particulars of resolution to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange or placing it on the Company's website or the website of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(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, but the absence of a quorum shall not preclude the appointment of a chairman.

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 is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic

form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst 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 amongst the members as such shall be 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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 shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is 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

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), 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, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions 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:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 8 November 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of 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 sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the

opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 October 2016. It has been registered as a non-Hong Kong company under Part 16 of the Cap. 622 Companies Ordinance on 10 November 2016. Our principal place of business in Hong Kong is at Office B, 7/F., TLP132, 132–134 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. Mr. Yung and Mr. Li Kar Fai Peter have been appointed as the authorised representatives of our Company for the acceptance of service of processes and notices in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its registered place of business in Hong Kong.

Since our Company is incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands, the Memorandum and the Articles. A summary of the relevant aspects of the laws of the Cayman Islands and relevant provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company*Share Capital before the Capitalisation Issue and the Share Offer*

As at the date of incorporation of our Company, its authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Before the Capitalisation Issue and the Share Offer, 10,000 Shares were issued, all credited as fully paid, and Superior Ace and Greatly Success held 7,500 Shares and 2,500 Shares, respectively.

Share Capital after the Capitalisation Issue and the Share Offer

Immediately following completion of the Capitalisation Issue and the Share Offer, taking no account of any Share which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, the issued share capital of our Company shall be HK\$5,400,000 divided into 540,000,000 Shares of par value HK\$0.01, fully paid or credited as fully paid, and 9,460,000,000 Shares shall remain unissued. We have no present intention to issue any of the authorised, but unissued, share capital of our Company, and, without prior approval of our Shareholders in general meeting, no Shares shall be issued which would effectively alter the control of our Company.

Save for the allotment and issue of 9,999 Shares on 23 November 2016 to Superior Ace, the Capitalisation Issue and the Share Offer, there has been no alteration in our Company's share capital since our Company's incorporation. For details, please refer to the section headed "History, Development and Reorganisation" in this prospectus.

3. Written resolutions of our then Shareholders passed on 22 July 2017

By written resolutions of our then Shareholders passed on 22 July 2017:

- (a) the authorized share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each, by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each ranking pari passu with the existing Shares of our Company;
- (b) our Company approved and adopted the Memorandum with immediate effect and conditionally adopted the Articles to be effective upon the Listing Date, the terms of which are summarised in Appendix III to this prospectus;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, Shares in issue, and Shares to be issued, as mentioned in this prospectus, including any Shares which may fall to be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)), and not being terminated in accordance with the terms of the Underwriting Agreements, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the then existing issued Shares in all respects;
 - (ii) the rules of the Share Option Scheme were approved and adopted, and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder, to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme, and to take all such actions as they consider necessary or desirable to implement 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 an amount of HK\$4,499,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 449,990,000 Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company at the close of business on 22 July 2017 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distribution;

- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of: (a) rights issue; or (b) any scrip dividend schemes (or similar arrangements in accordance with the Articles); or (c) under the Capitalisation Issue or the Share Offer; or (d) rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, Shares with an aggregate nominal value not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law, or any other applicable laws of the Cayman Islands, to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange such number of Shares as shall represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law, or any other applicable laws of the Cayman Islands, to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (f) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate number of Shares which may be allotted and issued, or agreed conditionally or unconditionally to be allotted and issued, by our Directors pursuant to such general mandate, of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer exercise of any but without taking into account any Shares which may be issued pursuant to the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing. For information relating to the Reorganisation, please refer to the paragraph headed "History, Development and Reorganisation — Reorganisation" in this prospectus for more details.

5. Changes in share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save for the transfer of the shares of each of CCCL and CEEL from Mr. Yung to Superior Ace on 8 August 2016, and, thereafter, to Champion Goal on 29 September 2016, the issuance and allotment of the share of Champion Goal to Superior Ace on 29 September 2016, and the transfer of the share of Champion Goal from Superior Ace to our Company on 24 November 2016, no other alteration in the share capital of any of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares, which shall be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange shall be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our then Shareholders passed on 22 July 2017, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange such number of Shares as shall represent up to 10% of the aggregate total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law, or any other applicable laws of the Cayman Islands, to be held, and the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases shall be funded out of funds legally available for the purpose in accordance with a company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. In our Company's case, under the Cayman Islands laws, any repurchases by our Company may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased shall be provided for out of profits or the share premium account of our Company or, subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit a listed company from knowingly repurchasing its shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them, and a core connected person shall not knowingly sell shares to the company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 540,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Directors would be authorised under the Repurchase Mandate to repurchase up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate shall be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on 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 shall only be made when our Directors believe that such repurchases shall benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) of any Director, has any present intention to sell any Shares to our Company or any of our subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they shall exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

Our Directors shall 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).

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 shall be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of our 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 consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

No core connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of our Group within the two years preceding the date of this prospectus and are, or may be, material to the business of our Group taken as a whole:

- (a) the Deed of Non-competition;
- (b) the Deed of Indemnity; and
- (c) the Public Offer Underwriting Agreement.

2. Our intellectual property rights*Trademark*

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Place of Registration	Classes Registered	Trademark No.	Expiry Date	Registered Owner
	Hong Kong	6, 9 and 42	303961026AA	13 November 2026	CCCL
	Hong Kong	6, 9, 37 and 42	303987569	7 December 2026	CEEL

Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registrant	Expiry date
cornwall.com.hk	CCCL	Not applicable
goldenfaith.hk	CEEL	15 February 2018

C. FURTHER INFORMATION ABOUT OUR SUBSTANTIAL SHAREHOLDERS, OUR DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of our Directors and the chief executive of our Company

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer, but without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and taking no account of any Shares which may fall to be allotted and issued, or repurchased, by our Company pursuant to the mandates as referred to in the paragraph headed “Further Information about Our Company and Our Subsidiaries” in this Appendix, the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of SFO) which, once our Shares are listed on the Stock Exchange, shall have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which they are taken, or deemed to have taken, under such provisions of SFO), or shall be required, pursuant to section 352 of SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case, the end result shall be as follows once our Shares are listed on the Stock Exchange:

Long position

Name of Director	Name of Group member/ associated corporation	Capacity/Nature	No. of shares held	Percentage of shareholding
Mr. Yung ⁽¹⁾	our Company	Interest in a controlled corporation	292,500,000	54.17%

Note:

- (1) Superior Ace, which owns 54.17% of the issued share capital of our Company, is owned as to 100% by Mr. Yung. By virtue of SFO, Mr. Yung is deemed to be interested in the Shares in which Superior Ace is interested.

(b) Interests of substantial Shareholders, and other interests discloseable under SFO

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons, that is:

- (i) those 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; or
- (ii) those, not being a Director or chief executive of our Company, who shall, immediately following the completion of the Capitalisation Issue and the Share Offer, but without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, have interests or short positions in shares, underlying shares and debentures, which shall fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO, or which shall be recorded in the register of our Company required to be kept under section 336 of SFO,

shall be interested in our Shares:

Long position

Name	Nature of interest	No. of Shares held	Percentage of shareholding
Superior Ace	Beneficial owner	292,500,000	54.17%
Mr. Yung ⁽¹⁾	Interest in a controlled corporation	292,500,000	54.17%
Greatly Success	Beneficial owner	112,500,000	20.83%
Mr. Ko ⁽²⁾	Interest in a controlled corporation	112,500,000	20.83%

Notes:

- (1) The issued share capital of Superior Ace is legally and beneficially owned as to 100% by Mr. Yung.
- (2) The issued share capital of Greatly Success is legally and beneficially owned as to 100% by Mr. Ko.

As at the Latest Practicable Date, so far as our Directors are aware, no other persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of our subsidiaries.

2. Directors' service agreements

Terms regarding executive Directors

Our executive Directors have entered into service contracts with our Company containing terms and conditions which are similar in all material respects. Such service contracts are initially for a fixed term of three years commencing from the Listing Date, and shall continue thereafter until terminated by not less than three months' written notice to the other party. Each of these executive Directors is entitled to the respective basic annual remuneration set out below:

Name	Amount (HK\$)
Mr. Yung	1,500,000
Mr. Li Kar Fai Peter	480,000

Terms regarding independent non-executive Director

Our independent non-executive Directors have entered into letters of appointment with our Company containing terms and conditions which are similar in all material respects, and pursuant to which each of the independent non-executive Directors has been appointed for an initial term of two years commencing from the Listing Date. The appointments are subject to termination under certain circumstances as stipulated in the relevant letters of appointment, and to the provisions of the Articles with regard to vacation of office, removal and retirement by rotation of our Directors. Each of the independent non-executive Directors is entitled to a Director's fee of HK\$120,000 per annum. Save for the Directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

No Director has otherwise entered, or proposed to enter, into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amounts of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefit in kind and discretionary bonus) which are paid to our Directors in respect of FY2014, FY2015, FY2016 and 4M2017 were approximately HK\$1.0 million, HK\$1.2 million, HK\$1.2 million and HK\$0.5 million, respectively.
- (b) There was no arrangement under which a Director waived or agreed to waive any remuneration for the years ended 30 September 2014, 2015, 2016 and 4M2017.
- (c) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ended 30 September 2017 shall be approximately HK\$2.07 million.

- (d) During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors, or the five highest paid individuals of our Group, as an inducement to join, or upon joining, our Company, and no compensation was paid by our Group to, or receivable by, our Directors, former Directors, or the five highest-paid individuals of our Group, for each of the financial periods within the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

4. Fees or commission received

As a result of the Share Offer, the Public Offer Underwriters, and the Placing Underwriters, shall receive a gross commission pursuant to the terms of the respective Underwriting Agreements. In addition, our Company may pay a discretionary bonus to the Joint Lead Managers. For details, please refer to the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — Commissions and expenses” in this prospectus. Otherwise, none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix has received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Connected and related party transactions

Details of the related party transactions are set out under the section headed “Connected Transactions” in this prospectus and note 33 to the Accountants’ Report set out in Appendix I to this prospectus.

6. Disclaimers

- (a) No remuneration or other benefits in kind have been paid by our Company to any Director since the date of incorporation of our Company. Details regarding the remuneration or benefits in kind payable by our Company to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date are disclosed under the paragraph headed “C. Further Information about our Substantial Shareholders, our Directors and Experts — 2. Directors’ service agreements and 3. Directors’ remuneration” in Appendix IV to this prospectus;
- (b) None of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in, any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) None of our Directors or the experts named in the paragraph headed “E. Other Information — 7. 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) Not taking into account any Shares which may fall to be allotted and issued, or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “A. Further Information about Our Company and Our Subsidiaries” in this Appendix, and not taking into account any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, none of our Directors knows of:
- (i) any person, not being a Director or chief executive of our Company, who shall, immediately following completion of the Capitalisation and the Share Offer, have any interest in shares, or underlying shares, which shall fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO, or which shall be recorded in the register of our Company required to be kept under section 336 of SFO, or
 - (ii) any person who shall be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) Apart from Mr. Yung’s interests in 292,500,000 Shares held through Superior Ace immediately after the Capitalisation Issue and the Share Offer, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of SFO) which, once our Shares are listed on the Stock Exchange, shall have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests and short positions which he shall be taken, or deemed to have taken, under such provisions of SFO), or which shall be required, pursuant to section 352 of SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange;
- (f) So far as our Directors are aware, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) None of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix has any shareholding in 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
- (h) Apart from the dividends declared by CCCL and CEEL to Mr. Yung and Champion Goal, which was indirectly owned by Mr. Yung, details of which please refer to Note 12 and the paragraph headed “Subsequent Events” in note 38 of the Accountants’ Report set forth in Appendix I to this prospectus, no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company. Details regarding the remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at

the Latest Practicable Date are disclosed under the paragraph headed “C. Further Information about our Substantial Shareholders, our Directors and Experts — 2. Directors’ service agreements and 3. Directors’ remuneration” in Appendix IV to this prospectus.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by written resolutions of our then Shareholders on 22 July 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following summary does not form, nor is intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

1. Definitions

For the purpose of this section, unless the context otherwise requires, the following expressions have the meanings set out below:

“Board”	the Board, or a committee thereof, appointed for the purpose of administering the Share Option Scheme;
“Business Day”	any day on which the Stock Exchange is open for the business of trading in securities;
“Grantee”	any Participant who accepts an offer in accordance with the terms of the Share Option Scheme, or, where the context so permits, any person who is entitled to any such Option in consequence of the death of any such Participant, or the legal personal representative of any such Participant;
“Option”	a right granted for the subscription of Shares pursuant to the Share Option Scheme; and
“Participant”	any Directors (including executive Directors and independent non-executive Directors) and full-time employees of any member of our Group, and any advisor, consultant, contractor, sub-contractor, supplier, agent, customer, business partner, joint venture business partner or service provider of any member of our Group who the Board considers, in its sole discretion, has contributed or shall contribute to our Group.

2. Purpose

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company, and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Share Option Scheme shall provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

3. Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled to, at its absolute discretion and on such terms as it deems fit, grant Options to any Participant.

4. Administration

The Share Option Scheme shall be subject to the administration of the Board, which shall have the right to:

- (a) interpret and construe the provisions of the Share Option Scheme;
- (b) determine the persons who shall be offered Options, the number of Shares and the subscription price, subject to paragraph D.7, in relation to such Options;
- (c) subject to paragraphs D.15 and D.16, make such appropriate and equitable adjustments to the terms of the Options as it deems necessary; and
- (d) make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

5. Grant of Options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled, at any time within 10 years after the date of the adoption of the Share Option Scheme, to make an offer to any Participant, as the Board shall be entitled to in its absolute discretion select, to take up an Option. The offer shall specify the terms on which the Option is to be granted. Such terms may include any minimum period(s) for which an Option shall be held and/or any minimum performance target(s) which shall be reached, before the Option can be exercised in whole or in part, and shall include, at the discretion of the Board, other terms imposed (or not imposed) either on a case-by-case basis or generally.

No offer shall be made, and no Option shall be granted, to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any Option during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half year, quarter or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. For the avoidance of doubt, the period during which no Options shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

6. Payment on acceptance of Option offer

An Option shall remain open for acceptance by the Participant concerned for a period of 14 days exclusive of the date on which the letter containing the offer is delivered to the Participant. HK\$1 is payable by the Grantee to our Company on acceptance of the offer of the Option.

7. Subscription price

The subscription price shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer at the time of the offer, and shall be no less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the relevant Option, which shall be a Business Day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of grant of the relevant Option (provided that, in the event that any Option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Share Offer shall be used as the closing price for any Business Day falling within the period before listing of the Shares on the Stock Exchange); and
- (c) the nominal value of a Share on the date of grant of the relevant Option.

8. Option period

The period within which the Shares shall be taken up under an Option shall be a period to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the date of grant of the relevant Option, but such period shall not expire later than 10 years from the date of grant of the relevant Option.

9. Rights are personal to Grantee

An Option shall be personal to the Grantee, and shall not be transferrable or assignable.

10. Rights attaching to Shares allotted

The Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the Memorandum and the Articles for the time being in force, and shall rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting, dividend, transfer or other rights (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the Option.

11. Exercise of Option

Subject to the terms and conditions upon which such Option was granted, an Option may be exercised by the Grantee at any time during the option period and in accordance with the terms and conditions of the offer, provided that:

- (a) in the event that the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than: (i) his death; or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph D.12(a)(vi), the Option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless the Board otherwise determines, in which event the Option shall be exercisable to the extent and within such period as the Board shall be entitled to determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with our Company or the relevant member of our Group, whether salary is paid in lieu of notice or not;
- (b) in the event that the Grantee dies before exercising the Option in full, and none of the events for termination of employment or engagement under paragraph D.12(a)(vi) then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled, within a period of 12 months from the date of death, to exercise the Option up to the entitlement of such Grantee as at the date of death;
- (c) in the event that a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph D.11(d) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror), and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, our Company shall forthwith give notice thereof to the Grantee, and the Grantee shall be entitled to exercise the Option to its full extent or, in the event that our Company shall give the relevant notification, to the extent notified by our Company pursuant to the terms of the Share Option Scheme at any time within such period as shall be notified by our Company;
- (d) in the event that a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares, and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee, and the Grantee shall be entitled to at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, in the event that our Company shall give the relevant notification, to the extent notified by our Company pursuant to the terms of the Share Option Scheme;
- (e) in the event that a notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee, and the Grantee shall be entitled to at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, in the event that our Company shall give the relevant notification, to the extent notified by our Company pursuant to the terms of the Share Option Scheme, and our Company shall as soon

as possible, and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option; and

- (f) in the event that a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph D.11(d) above, between our Company and its members and/or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement, and the Grantee shall be entitled to at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, in the event that our Company shall give the relevant notification, to the extent notified by our Company pursuant to the terms of the Share Option Scheme, and our Company shall as soon as possible, and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

12. Lapse of Option

- (a) Subject to paragraph D.12(b), an Option shall lapse automatically (to the extent not already exercised) on the earliest of:
 - (i) the expiry of the option period (subject to the provisions of the Share Option Scheme);
 - (ii) the date or the expiry of the periods for exercising the Option as referred to in paragraph D.11;
 - (iii) subject to the scheme of arrangement (referred to in paragraph D.11(d)) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph D.11(d);
 - (iv) subject to paragraph D.11(e), the date of the commencement of the winding-up of our Company;
 - (v) the date on which the Grantee commits a breach of paragraph D.9;
 - (vi) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts, or has become bankrupt, or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, or on any other ground on which an employer shall be entitled to terminate his employment summarily;
 - (vii) the date on which the Grantee (being a corporation) appears either to be unable, or to have no reasonable prospect of being able, to pay its debts, has become insolvent, or has made any arrangement or composition with its creditors generally;

- (viii) where the Grantee is an employee, a director, an officer or a contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and
 - (ix) unless the Board otherwise determines, and other than in the circumstances referred to in paragraph D.11(a) or D.11(b), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.
- (b) Transfer of employment, engagement, or relationship from one member of our Group to another member of our Group shall not be considered as a cessation of the said employment, engagement, or relationship.

13. Cancellation of Option

Any Options granted, but not exercised, shall be cancelled in the event that the Grantee so agrees, and new Options shall be granted to the Grantee, provided that such new Options are granted with available unissued Options (excluding the cancelled Options) within the limits prescribed and otherwise comply with the terms of the Share Option Scheme.

14. Maximum number of Shares subject to Options

- (a) The Shares which may be issued upon exercise of all Options to be granted under this Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 54,000,000 Shares (representing 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange) (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;
- (b) Our Company shall be entitled to refresh the Scheme Mandate Limit at any time subject to prior Shareholders’ approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed;
- (c) Our Company shall also be entitled to seek separate Shareholders’ approval for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before the aforesaid Shareholders’ meeting where such approval is sought;
- (d) The total number of Shares issued, and to be issued, upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any twelve (12)-month period shall not exceed 1% of the Shares in issue (the “**Individual Limit**”). Any further grant of Options to a Participant, which would result in the Shares issued, and to be issued, upon exercise of all Options granted, and to be granted, to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to, and including, the date of grant of the relevant Option of such further Options exceeding the Individual

Limit, shall be subject to Shareholders' approval in advance, with such Participant and his close associates (or his associates in the event that such Participant is a connected person) abstaining from voting;

- (e) The overall limit on the number of Shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable), shall not exceed 30% of the Shares in issue from time to time (“**Scheme Limit**”); and
- (f) The maximum number of Shares referred to in this paragraph shall be adjusted in such manner as the auditors of our Company or the financial advisor of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph D.15 by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, reduction of the share capital of our Company.

15. Reorganisation of capital structure and special dividends

In the event that an alteration in the capital structure of our Company occurs, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the Share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (a) the number or nominal amount of Shares subject to the Option so far as unexercised; (b) the subscription price; or (c) the method of exercise of the Option, or any combination thereof, as the auditors of our Company or a financial advisor engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share shall be issued at less than its nominal value.

16. Alteration of the Share Option Scheme

- (a) Subject to paragraph D.16(b) below, the Board shall be entitled to amend any of the provisions of the Share Option Scheme (including, without limitation, amendments in order to comply with changes in legal or regulatory requirements, and amendments in order to waive any restrictions imposed by the provisions of the Share Option Scheme which are not found in Chapter 17 of the Listing Rules) at any time, but not so as to affect adversely any rights which have accrued to any Grantee at that date;
- (b) Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration of the terms of the Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. 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, shall also, to be effective, be approved by the Shareholders in

general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered shall comply with Chapter 17 of the Listing Rules; and

- (c) Notwithstanding any approval obtained pursuant to paragraph D.16(a), no amendment shall operate to adversely affect the terms of issue of any Option granted or agreed to be granted prior to such amendment, except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than 3/4 of all Shares then in issue subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

17. Termination of the Share Option Scheme

Our Company shall be entitled to at any time by ordinary resolution in general meeting, or the Board shall at any time, terminate the operation of the Share Option Scheme, and in such event no further Options shall be entitled to be offered or granted, but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

18. Offers made to a Director, chief executive or employee who is also a substantial Shareholder of our Company or any of their respective associates

Each grant of Options to any Director, chief executive or substantial Shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of Options). Where any grant of Options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, shall result in 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 individual in the 12-month period (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant of the relevant Option:

- (a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant of the relevant Option, in excess of HK\$5.0 million (or such other amount as may from time to time be specified by the Stock Exchange),

such grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll). The Grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any such person shall be entitled to vote against the relevant resolution at the general meeting, provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

19. Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to:

- (a) the Listing Committee (as defined in the Listing Rules) of the Stock Exchange granting approval of the Share Option Scheme and the granting of Options under the Share Option Scheme;
- (b) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options; and
- (c) the commencement of dealings in the Shares on the Main Board.

20. Present status of the Share Option Scheme

As at the Latest Practicable Date, no Option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options to be granted under the Share Option Scheme, being 54,000,000 Shares in total.

E. OTHER INFORMATION**1. Tax and other indemnities***(a) Tax on dividends*

No tax is payable in Hong Kong in respect of dividends paid by us.

(b) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, shall be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15.0% on unincorporated businesses.

Gains from sales of the Shares effected on the Stock Exchange shall be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would, thus, arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(c) *Stamp Duty*

Hong Kong stamp duty shall be payable by the purchaser on every purchase, and by the seller on every sale, of the Shares. The duty is charged at the current rate of 0.2% of the consideration, or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(d) *Estate Duty*

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005, which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from, and including, 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100.

(e) *Deed of Indemnity*

For the purpose of this section, unless the context otherwise requires, the following expressions have the meanings set out below:

“Estate Duty”

- (i) the estate duty payable under the Estate Duty Ordinance; and
- (ii) the estate duty (or any similar tax or duty) payable under the laws and regulations of, or otherwise payable in, any other jurisdictions, and which includes any interest, penalty or other liability arising out of or in connection with the imposition, or non-payment, or delay in payment, of such duty;

“Estate Duty Ordinance”

the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) as in force at the date of the Deed of Indemnity, but in the event of any repeal or amendment of such provisions, such reference shall be read as including any provisions to the like effect respectively replacing or amending the same;

“Relief”

includes any relief, allowance, concession, exemption, reduction, set off or deduction in computing profits, income, expenditure or other assessable sum, event or circumstance against which a Taxation is assessed, and any credit granted by, or pursuant to, any legislation, or otherwise relating to all forms of Taxation;

“Taxation”

- (i) Estate Duty, and any liability of any, or all, of the members of our Company and its subsidiaries to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and, without prejudice to the generality of the foregoing, includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties, and, generally, any tax duty, impost, levy or rate, or any amount payable to the revenue, customs or fiscal authorities of local municipal, provincial, national, state or federal level, whether of Hong Kong, the PRC or of any other part of the world;
- (ii) In the event of any loss, reduction, modification, cancellation or deprivation of any Relief, or of a right to repayment of any form of Taxation, there shall be treated as an amount of Taxation for which liability has arisen, the amount of such Relief, such repayment or (if smaller) the amount by which the liability to any such Taxation of the members of our Company and its subsidiaries, or any of us, would have been reduced by such Relief if there had been no such loss, reduction, modification, cancellation or deprivation as aforesaid; and
- (iii) All necessary costs, interest, penalties, charges, liabilities and expenses incidental, or relating, to the liability referred to in (i) above, or the deprivation of Relief, or of a right, to repayment of Taxation, which is the subject of the indemnity contained in the Deed of Indemnity, to the extent that the same is/are payable or suffered by our Company and its subsidiaries or any of us;

“Taxation Claim”

includes, without limitation, any assessment, notice, demand, or other documents issued, or action taken by, or on behalf of, the Inland Revenue Department of Hong Kong, the tax bureau of the PRC, or any other revenue, customs, fiscal, statutory or governmental authority whatsoever in Hong Kong, the PRC or any other part of the world from which it appears that the members of our Company and its subsidiaries, or any of us, is/are liable, or sought to be made liable, for any payment of any form of Taxation or to be deprived of any Relief, or right to repayment of any form of Taxation, which Relief or right to repayment would, but for the Taxation Claim, have been available to the members of our Company and its subsidiaries, or any of us.

Pursuant to the Deed of Indemnity given by each of our Controlling Shareholders in favour of our Company (and our subsidiaries), and conditional on the fulfilment of the conditions stated in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Public Offer” in this prospectus, our Controlling Shareholders have unconditionally and irrevocably agreed and undertaken with each member of our Company and its subsidiaries, on a joint and several basis, that they would indemnify and, at all times, keep the same fully indemnified on demand from and against any Taxation falling on any member of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the Listing Date or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date, whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date, and whether or not such taxation is chargeable against or attributable to any other individual, firm or company. For the avoidance of doubt, the aforesaid provision shall require the Controlling Shareholders to indemnify and at all times keep each of the members of our Group indemnified, in each case, in respect of any additional Taxation which may fall on our Company or any other member of our Group in respect of a Taxation Claim resulting from a reassessment or similar action by a taxation authority against any member of our Group of Taxation due, and whether or not such reassessment is effected in respect of Taxation which our Company or any other members of our Group had previously reached agreement with a taxation authority.

Under the Deed of Indemnity, our Controlling Shareholders have also jointly and severally undertaken to indemnify and at all times keep our Company (for itself, and as trustee for each of the members of our Group) fully indemnified against any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines which may be made, suffered or incurred by any of the members of our Group in respect of, or arising directly or indirectly from, any claims including, but not limited to, all costs (including legal costs), charges, expenses, penalties and other liabilities which any of the members of our Group may incur in connection with the violation of, or non-compliance with, the laws of Hong Kong, and the government lease, the occupation permit, the deed of mutual covenant and management agreement

and any other title documents in respect of Unit 4 and Unit 5 on 2/F, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong (“**Unit 4 and Unit 5**”), including, without limitation, the costs and expenses of the demolition works of the unauthorised addition/alteration in, and the reinstatement works in respect of, Unit 5; the losses incurred as a result of any disruption to the daily operation of the offices or workshops resulting from such demolition and reinstatement works, relocation costs or any closure order(s) that may be imposed by relevant Government authorities.

Under the Deed of Indemnity, our Controlling Shareholders have further jointly and severally undertaken to indemnify our Company (for itself, and as trustee for each of the members of our Group) against any costs, expenses, claims, liabilities, penalties, losses and damages (including, but not limited to, any relocation or destruction cost) incurred or suffered by our Company, or any other members of our Group, arising from, or in connection with, any failure of our Company, any other members of our Group, or any parties from whom our Company, or any other members of our Group, purchased, leased, or obtained licence or permit to use, any property interest owned, leased, licensed, or otherwise used or occupied, by our Company, or any other members of our Group (the “**Relevant Property**”), to obtain any property ownership certificate, certificate of title, approval, permit, consent or registration in respect of the Relevant Property.

Under the Deed of Indemnity, our Controlling Shareholders have also irrevocably and unconditionally agreed and undertaken to our Company and its subsidiaries, on a joint and several basis, that they would indemnify and, at all times, keep the same indemnified on demand from and against all sums, outgoing, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, payments, suits, and expenses associated, incurred or suffered by our Company and its subsidiaries, directly or indirectly, in connection with:

- (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortious nature, or otherwise instituted by or against our Company and/or any members of our Group, which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of our Company and any members of our Group on or before the Listing Date;
- (ii) any irregularities in relation to the corporate documents of any members of our Group;
- (iii) any non-compliance with the applicable laws, rules or regulations by our Company and/or members of our Group on or before the Listing Date, except that specific provision, reserve or allowance has been made for such liabilities in the audited consolidated accounts of our Group for the Track Record Period;
- (iv) the settlement of any claim under the Deed of Indemnity;
- (v) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any of the members of our Group since the date of incorporation of each of the members of our Group and up to the Listing Date for any losses or liabilities incurred or payable by any of the members of our Group;

- (vi) any legal proceedings in which any of the members of our Group claims under or in respect of this Deed of Indemnity and in which judgement is given for any of the members of our Group; and
- (vii) the enforcement of any such settlement or judgement abovementioned.

However, the indemnities given by our Controlling Shareholders under this section do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability on Taxation and Taxation Claim:

- (i) to the extent that provision, reserve or allowance has been made for such liability, Taxation or Taxation Claim in the audited accounts (the “**Accounts**”) of our Company and its subsidiaries for the three years ended 30 September 2016 and 4M2017 (the “**Account Dates**”), or
- (ii) to the extent that provision has been made in the audited consolidated accounts of our Group or the audited accounts of any of the members of our Group for an accounting period ended on or before the Accounts Date;
- (iii) to the liability, Taxation or Taxation Claim falling on any of the members of our Group in respect of any accounting period commencing on or after Accounts Date, unless such liability would not have arisen but for some act or omission of, or transaction entered into by, the Controlling Shareholders and/or any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:
 - a. in the ordinary course of business, on or before the Listing Date; or
 - b. pursuant to a legally binding commitment created on or before the date of this Deed of Indemnity, or pursuant to any statement of intention made in the Prospectus.
- (iv) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including without, limitation, the Inland Revenue Department, having retrospective effect coming into force after the Listing Date, or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect;
- (v) to the extent that such liability is discharged by another person who is not a member of our Group and that none of member of our Group is required to reimburse such person in respect of the discharge of such liability; or
- (vi) to the extent of any provision or reserve made for such liability in the audited accounts referred to in (i) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the Controlling Shareholders’ liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

2. Litigation

No member of our Group is engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, Shares in issue, and to be issued, as mentioned herein. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

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 payable by us in respect of the Sole Sponsor's services as sponsor for the Listing is HK\$3,880,000.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK\$42,000 and are payable by our Company.

5. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Guoyuan Capital as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date, and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

6. Promoter

There is no promoter of our Company. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Guoyuan Capital (Hong Kong) Limited	a corporation licensed to carry on for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Hui & Lam LLP	legal adviser to our Company as to Hong Kong law
Conyers Dill & Pearman	legal adviser to our Company as to Cayman Islands law
Norton Appraisals Limited	independent property valuer
Ipsos Limited	independent industry consultant
SHINEWING Risk Services Limited	independent internal control consultant

8. Consents of experts

Each of the named experts above has given, and has not withdrawn, its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries, or the right or option (whether legally enforceable or not) to subscribe, or to nominate persons to subscribe, for any securities in our Company or any of our subsidiaries, including our Shares.

9. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name	:	Superior Ace
Description	:	A company incorporated in the BVI on 5 July 2016 with limited liability
Registered address	:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands

Director	:	Mr. Yung
Shareholder	:	Mr. Yung, holding 100% of the issued share capital of Superior Ace
Number of Sale Shares to be sold	:	45,000,000

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Cap. 32 Companies (WUMP) Ordinance, so far as applicable.

11. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members shall be subject to Hong Kong stamp duty.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies, except for shares of companies that hold land in the Cayman Islands.

(c) Consultation with professional advisors

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares.

None of our Company, the Selling Shareholder, the Sole Sponsor, 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 for, purchase, holding or disposal of, or dealing in, the Shares.

12. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 31 January 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up), and up to the date of this prospectus.

13. Registration procedures

The register of members of our Company shall be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited, and the branch register of members of our Company shall be maintained in Hong Kong by Union Registrars Limited. Save where our Directors otherwise agree, all transfers and other documents of title relating to the Share Offer shall be lodged for registration with, and registered by, our Company's share registrar in Hong Kong, and may not be lodged in the Cayman Islands.

14. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) apart from the Shares issued, or proposed to be issued, pursuant to the Reorganisation, the Capitalisation Issue, the Share Offer, any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the general unconditional mandate to issue further Shares granted by the written resolutions of our then Shareholders passed on 22 July 2017, no share or loan capital of our Company or any of our subsidiaries had been issued, agreed to be issued, or proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
 - (ii) apart from any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, no discounts, brokerages or other special terms had been granted, or agreed to be granted, in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries. Further, no commission has been paid, or is payable, in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (iii) no commission had been paid, or is payable, for the subscription of, or agreement or procurement to subscribe for, any Share or shares of any of our subsidiaries;
 - (iv) apart from any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, no share or loan capital of our Company or any of our subsidiaries was under option, or agreed conditionally or unconditionally to be put under option; and
 - (v) neither our Company nor any of our subsidiaries had issued, or agreed to issue, any founder shares, management shares, deferred shares or any debentures;
- (b) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "E. Other Information — 7. Qualifications of experts" in this Appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries;
- (c) 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 apart from the Listing;

- (d) our Company and our subsidiaries do not have any debt securities issued, or outstanding, or authorised, or otherwise created but unissued, or any term loans, whether guaranteed or secured, as at the Latest Practicable Date;
- (e) all necessary arrangements have been made for our Shares to be admitted into CCASS for clearing and settlement;
- (f) 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;
- (g) no company within our Group is presently listed on any stock exchange, or traded on any trading system;
- (h) our Group has no outstanding convertible debt securities;
- (i) our Directors have been advised that, under the Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene the Cayman Islands laws;
- (j) the English text of this prospectus shall prevail over the Chinese text; and
- (k) there is no arrangement under which future dividends are waived, or agreed to be waived.

15. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

1. copies of the Application Forms;
2. the written consents of the experts referred to in the paragraph headed “E. Other Information — 8. Consents of experts” of Appendix IV to this prospectus;
3. copies of the material contracts referred to in the paragraph headed “B. Further Information about Our Business — 1. Summary of material contracts” of Appendix IV to this prospectus; and
4. a list containing the particulars of the Selling Shareholder as set out in the paragraph headed “E. Other Information — 9. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents shall be available for inspection at the office of Hui & Lam LLP at Rooms 1505–6, 15/F, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles;
2. the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the audited consolidated financial statements of our Company and its subsidiaries for FY2014, FY2015, FY2016 and 4M2017;
4. the assurance report on unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Part B of Appendix II to this prospectus;
5. the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal adviser, summarising the constitution of our Company and certain aspects of the Companies Law of the Cayman Islands referred to in Appendix III to this prospectus;
6. the Cayman Companies Law;
7. the rules of the Share Option Scheme;
8. the material contracts referred to in the paragraph headed “B. Further Information about Our Business — 1. Summary of material contracts” of Appendix IV to this prospectus;

9. the service contracts and letters of appointment referred to in the paragraph headed “C. Further Information about Our Substantial Shareholders, Our Directors and Experts — 2. Directors’ service agreements” of Appendix IV to this prospectus;
10. the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of experts” of Appendix IV to this prospectus;
11. the letters of advice prepared by our HK Legal Adviser concerning compliance of our Group;
12. the valuation opinion issued by Norton Appraisals Limited in respect of the assessment of the reasonableness of rental under a tenancy agreement between our Group and Mr. Yung Ka Chung, the details of which are set out in the section headed “Connected Transactions” in this prospectus;
13. the Ipsos Report; and
14. a list containing the particulars of the Selling Shareholder as set out in the paragraph headed “E. Other Information — 9. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

Golden Faith Group Holdings Limited
高豐集團控股有限公司