



LING YUI HOLDINGS LIMITED

凌銳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 784

SHARE OFFER

Sponsor

FRONTPAGE 富比

Joint Bookrunners



Joint Lead Managers

FRONTPAGE 富比



IMPORTANT

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

LING YUI HOLDINGS LIMITED

凌銳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 200,000,000 Shares (comprising 140,000,000 new Shares and 60,000,000 Sale Shares)
Number of Public Offer Shares	: 20,000,000 new Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares, comprising 120,000,000 new Shares and 60,000,000 Sale Shares (subject to reallocation)
Maximum Offer Price	: HK\$0.55 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 dollar and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 784

Sponsor

FRONTPAGE 富比

Frontpage Capital Limited

Joint Bookrunners



Joint Lead Managers

FRONTPAGE 富比



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The SFC 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.

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

The Offer Price is expected to be determined by agreement between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or, around Wednesday, 20 December 2017. The Offer Price will be not more than HK\$0.55 per Offer Share and is expected to be not less than HK\$0.45 per Offer Share, unless otherwise announced. If our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date (or such later date as may be agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters)), the Share Offer will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the website of Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.lingyui.com.hk. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with consent of our Company (for itself and on behalf of the Vendor), reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.lingyui.com.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) on or before Friday, 22 December 2017, the Share Offer will not become unconditional and will lapse immediately. The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" of this prospectus.

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

13 December 2017

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at www.lingyui.com.hk and the Stock Exchange at www.hkexnews.hk.

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on Wednesday, 13 December 2017

Latest time to complete electronic applications under

HK eIPO White Form service through the designated website

at www.hkeipo.hk ⁽²⁾⁽³⁾ 11:30 a.m. on Monday,
18 December 2017

Application lists for Public Offer open⁽²⁾ 11:45 a.m. on Monday,
18 December 2017

Latest time for lodging **WHITE** and **YELLOW**

Application Forms 12:00 noon on Monday,
18 December 2017

Latest time for giving **electronic**

application instructions to HKSCC⁽⁵⁾ 12:00 noon on Monday,
18 December 2017

Latest time to complete payment of **HK eIPO White Form**

applications by effecting Internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on Monday,
18 December 2017

Application lists of the Public Offer close⁽²⁾ 12:00 noon on Monday,
18 December 2017

Expected Price Determination Date⁽⁴⁾ Wednesday, 20 December 2017

Announcement of the final Offer Price, the level of
indication of interest in the Placing, the level of
applications in the Public Offer and the basis of
allocation of the Public Offer Shares to be published
on the website of our Company at www.lingyui.com.hk ⁽⁶⁾; and
on the website of the Stock Exchange at

www.hkexnews.hk on or before Wednesday, 27 December 2017

EXPECTED TIMETABLE⁽¹⁾

Announcement of results of allocations under the Public Offer (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares – 11. Publication of results" of this prospectus including the website of our Company at www.lingyui.com.hk⁽⁶⁾ and the website of the Stock Exchange at www.hkexnews.hk from . . . Wednesday, 27 December 2017

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function from Wednesday, 27 December 2017

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 about⁽⁷⁾⁽⁹⁾ Wednesday, 27 December 2017

Despatch/Collection of refund cheques or **HK eIPO White Form e-Auto Refund** payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or about⁽⁸⁾⁽⁹⁾ Wednesday, 27 December 2017

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Thursday, 28 December 2017

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 18 December 2017, the application lists will not open on that day. See "How to Apply for the Public Offer Shares – 10. Effect of bad weather on the opening of the application lists" of this prospectus.
3. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
4. The Price Determination Date is expected to be on or around Wednesday, 20 December 2017 and, in any event, not later than Friday, 22 December 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 itself and on behalf of the Vendor) by Friday, 22 December 2017, the Share Offer will not proceed and will lapse.
5. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed "How to Apply for the Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS" of this prospectus.
6. None of the website or any of the information contained on the website forms part of this prospectus.

EXPECTED TIMETABLE⁽¹⁾

7. Share certificates will only become valid at 8:00 a.m. on Thursday, 28 December 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” of this prospectus has not been exercised. 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.
8. e-Auto Refund payment instructions/Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
9. Applicants who apply on **WHITE** Application Forms or **HK eIPO White Form** for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 27 December 2017 or such other date as notified by our Company as the date of despatch/collection of Share certificates/refund cheques/e-Auto Refund payment instruction. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company’s Hong Kong Branch Share Registrar at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants’ stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies – personal collection – (iv) If you apply via electronic application instructions to HKSCC” of this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed “How to Apply for the Public Offer Shares – 13. Refund of application monies” and “How to Apply for the Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies” of this prospectus.

The above expected timetable is a summary only. You should read carefully the sections headed “Structure and Conditions of the Share Offer” and “How to Apply for the Public Offer Shares” of this prospectus for details of the structure of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Share.

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IMPORTANT NOTICE TO INVESTORS

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

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

OUR BUSINESS

We are a Hong Kong-based subcontractor principally providing foundation works including ELS works, pile cap works and pile construction, site formation works and other ancillary services such as road and drainage works for foundation projects in the private sector. During the Track Record Period, we provided our foundation works through Ming Lee Foundation, acting primarily as a principal subcontractor in our projects with our customers mainly consisting of main contractors of private foundation projects in Hong Kong. As a subcontractor, we also undertake specific parts of foundation works designated by the main contractor.

During the Track Record Period and up to the Latest Practicable Date, we have completed 37 projects. As at the Latest Practicable Date, we had 12 projects on hand (including projects in progress and projects which are yet to commence). For the years ended 31 March 2015, 2016, and 2017 and the four months ended 31 July 2017, our Group generated revenue of approximately HK\$74.3 million, HK\$120.5 million, HK\$219.3 million and HK\$90.3 million, respectively.

For further details of our projects, please refer to the section headed “Business – Our projects” in the prospectus.

SUMMARY

OUR PROJECT BACKLOG

Set out below is the table showing the number of our projects commenced and completed and their respective aggregate contract sum during the Track Record Period and up to the Latest Practicable Date:

	Number of contracts	Contract sum <i>HK\$'000</i>
As at 1 April 2014		
Opening backlog contracts	6	48,986
During the year ended 31 March 2015		
New contracts commenced	14	146,698
Contracts completed	11	46,713
As at 31 March 2015		
Closing/opening backlog contracts	9	148,971
During the year ended 31 March 2016		
New contracts commenced	7	78,814
Contracts completed	13	146,639
As at 31 March 2016		
Closing/opening backlog contracts	3	81,146
During the year ended 31 March 2017		
New contracts commenced	13	414,189
Contracts completed	8	88,620
As at 31 March 2017		
Closing/opening backlog contracts	8	406,715
From 1 April 2017 to the Latest Practicable Date		
New contracts commenced/to be commenced	9	160,755
Contracts completed	5	152,463
As at the Latest Practicable Date		
Closing backlog contracts	12	415,007

As at the Latest Practicable Date, the aggregate contract sum of our Group's projects on hand amounted to approximately HK\$415.0 million. Based only on our projects completed and contracts on hand, the revenue to be recognised for the year ending 31 March 2018 amounted to approximately HK\$329.1 million.

SUMMARY

OUR CUSTOMERS

Our customers mainly consist of main contractors of construction projects which are engaged by property developers or project employers in the private sector. We, as a subcontractor, are usually invited by our customer to submit a quotation for a potential project. The following table sets out the number of quotations submitted, the number of successful quotation tenders and our success rate during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 March			From 1 April 2017 up to the Latest Practicable Date
	2015	2016	2017	(Note)
Number of quotations submitted	23	33	48	69
Number of successful quotation tenders	9	8	10	8
Success rate	39.1%	24.2%	20.8%	11.6%

Note: Out of the total 69 quotations submitted since 1 April 2017 up to the Latest Practicable Date, 17 quotations were unsuccessful, and 44 quotations were still under evaluation by our potential customers as at the Latest Practicable Date.

The following table summarises the number and value of contracts awarded to our Group during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 March						From 1 April 2017 up to the Latest Practicable Date	
	2015		2016		2017		Number of contracts awarded	Contract sum (HK\$'000)
Contract size (in terms of contract sum)	Number of contracts awarded	Contract sum (HK\$'000)	Number of contracts awarded	Contract sum (HK\$'000)	Number of contracts awarded	Contract sum (HK\$'000)	Number of contracts awarded	Contract sum (HK\$'000)
HK\$10 million or above	4	164,020	4	188,727	6	300,313	4	110,785
HK\$5 million to below HK\$10 million	2	15,097	-	-	1	5,769	-	-
HK\$1 million to below HK\$5 million	2	5,195	-	-	-	-	1	2,996
Below HK\$1 million	7	1,481	5	2,394	4	1,706	3	1,974
Total	15	185,793	9	191,121	11	307,788	8	115,755

Note: During the Track Record Period, some of our customers directly engaged us to undertake construction works in projects with contract sum of below HK\$1 million without a quotation tender. For the years ended 31 March 2015, 2016 and 2017 and from 1 April 2017 up to the Latest

SUMMARY

Practicable Date, six, one, one and nil projects with aggregate contract sum of approximately HK\$1.2 million, HK\$100,000, HK\$146,000 and nil were directly engaged by our customers, respectively. For the same periods, nine, eight, ten and eight projects with aggregate contract sum of approximately HK\$184.5 million, HK\$191.0 million, HK\$307.6 million and HK\$115.8 million were awarded by way of successful quotation tenders, respectively.

The table below sets out the breakdown of the revenue recognised from our existing projects and new projects awarded for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017:

	For the year ended 31 March						For the four months ended 31 July 2017	
	2015		2016		2017		HK\$'000	% to total revenue
	HK\$'000	% to total revenue	HK\$'000	% to total revenue	HK\$'000	% to total revenue		
Revenue recognised								
Existing projects	10,606	14.3	103,609	86.0	163,036	74.3	86,524	95.8
New projects awarded during the year/period	63,676	85.7	16,856	14.0	56,292	25.7	3,791	4.2
Total	74,282	100.0	120,465	100.0	219,328	100.0	90,315	100.0

The value of the contracts awarded during the year ended 31 March 2017 was much higher than that for the years ended 31 March 2015 and 2016. Such increase was mainly contributed by the TMTL500 project with a contract sum of approximately HK\$177.7 million awarded to us from Vibro HK during the year ended 31 March 2017. Our Directors considered that our continual investment in our machinery fleet and manpower, and our established job references as a principal subcontractor in the foundation and site formation industry have helped to build up our reputation and attract more invitations for quotation for contracts of relatively higher contract sum. For details of our projects, please refer to the section headed “Business – Our projects” in this prospectus. As a result of the increase in value of contracts awarded and undertaken, our revenue increased over the Track Record Period. As we undertook more contracts of higher contract sum which were often of longer contract period, the percentage of our revenue contributed by existing projects for the years ended 31 March 2016 and 2017 were higher than that for 2015. For details of the period-to-period comparison of our revenue during the Track Record Period, please refer to the section headed “Financial Information” in this prospectus.

CUSTOMER CONCENTRATION

For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the percentage of our total revenue attributable to our top five customers amounted to approximately 99.6%, 99.6%, 99.4% and 95.2%, respectively. During the same period, the percentage of our total revenue attributable to Fong On amounted to approximately 40.1%, 69.1%, 48.5% and 9.2%, respectively, and the percentage of our total revenue attributable to W.M. Group amounted to approximately 32.4%, 22.5%, 31.5% and 36.9%, respectively. Our Directors consider that our Group’s business model is sustainable despite such customer concentration having regards to, among other factors, we are able to undertake foundation projects with different customers to reduce the level of customer concentration, and we will

SUMMARY

continue to diversify our customer base. Our Directors believe that the extent of customer concentration is likely to decrease in the future. For further information, please refer to the paragraph headed “Business – Our customers – Customer concentration” in this prospectus.

OUR SUPPLIERS

Our suppliers (excluding our subcontractors) mainly supply us with construction materials, and/or services which primarily include machinery rental and machinery repair and maintenance. For details of our suppliers, please refer to the paragraph headed “Business – Our suppliers” in this prospectus.

During the Track Record Period, we had contra-charge arrangements with some of our customers. In this context, we regard such customers as our suppliers as well. For details of the contra-charge arrangement, please refer to the section headed “Business – Our customers – Contra-charge arrangement with our customers” in this prospectus.

OUR SUBCONTRACTORS

Depending on our internal resources level, cost effectiveness and level of works complexity, we may subcontract parts of a project such as reinforcement fixing works, hoarding, certain site formation and piling works to our subcontractors. Apart from specific parts of works in a project, we also consider contractors providing dumper truck transportation of excavated materials as our subcontractors given their expertise in construction waste disposal and the possession of specialty vehicles. For details of our subcontractors, please refer to the section headed “Business – Our suppliers – Subcontracting” in this prospectus.

Subcontractor with a dual role as our customer on other projects

Workbase Engineering, one of our top five customers for the years ended 31 March 2015 and 2016, had also been our subcontractor during the Track Record Period. For details, please refer to the section headed “Business – Our suppliers – Subcontractor with a dual role as our customer on other projects” in this prospectus.

CONCENTRATION OF SUPPLIERS AND SUBCONTRACTORS

For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, cost of construction materials incurred from our top five suppliers accounted for approximately 18.9%, 12.9%, 16.5% and 18.0% of our direct costs; whereas cost of construction materials incurred from our largest supplier accounted for approximately 5.2%, 6.3%, 7.0% and 7.2% of our direct costs, respectively. For the same periods, the subcontracting/service fee charged by our top five subcontractors accounted for approximately 47.6%, 54.5%, 41.6% and 41.4% of our direct costs, respectively; whereas the subcontracting/service fee charged by our largest subcontractor accounted for approximately 19.7%, 38.0%, 18.9% and 12.5% of our direct costs, respectively. Despite such concentration of suppliers and subcontractors, our Directors consider that we are not overly reliant on any single supplier or subcontractor, as there are abundant suppliers and subcontractors providing the same kind of construction materials or services in the market.

SUMMARY

UTILISATION RATE OF OUR MAJOR TYPES OF MACHINERY AND CONSTRUCTION EQUIPMENT

The following table sets forth the utilisation rate of our major types of machinery and construction equipment during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July 2017
	2015	2016	2017	
	<i>Utilisation rate (%)</i>	<i>Utilisation rate (%)</i>	<i>Utilisation rate (%)</i>	<i>Utilisation rate (%)</i>
Excavator	58.7	61.5	83.4	92.7
Hydraulic breaker	70.7	68.9	91.3	86.5
Air compressor	50.0	50.0	45.5	63.9
Generator	100.0	100.0	94.9	100.0

Note: Calculation of utilisation rate for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 is based on the number of days that the machinery and construction equipment were utilised (self-used for our projects or rental to our customers) during the respective period which is then divided by 365 days (or 366 days in 2016 or 122 days for the four months ended 31 July 2017) or the number of days for which the machinery and construction equipment existed during the financial year/period less the number of days for repair, maintenance, transportation and delivery. The utilisation rates serve as a presentation which may not have immediate and direct linkage with our Group's profits. Apart from the number in fleet, our Group's profits are also affected by various factors including the changes in fixed and variable costs for each machinery and construction equipment.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- we have established reputation and proven track record;
- we possess a range of machinery and construction equipment along with capable team of operations staff and workers;
- our capability to contribute advices on foundation designs and provide appropriate adjustment suggestions; and
- we have an experienced and dedicated management team.

SUMMARY

BUSINESS STRATEGIES

We have formulated the following business strategies to strengthen our position and expand our market share in the foundation industry in Hong Kong:

- strengthen our financial capacity and expand our market share;
- further strengthen our manpower; and
- acquire additional machinery and construction equipment.

RISK FACTORS

We believe that there are certain risks involved in our business and operations, some of which are beyond our control. We believe the more significant risks relating to our business are as follows:

- a significant portion of our revenue was generated from contracts which were not recurrent in nature and were awarded by a few customers, and any decrease in the number of projects with our major customers would adversely affect our operations and financial results;
- we have recorded negative operating cash flows for the four months ended 31 July 2017;
- as we from time to time engage subcontractors in our works, we may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of our subcontractors; and
- we determine the price of our quotation based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from our estimate due to unexpected circumstances.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, there was one on-going litigation case against our Group. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which constitutes material non-compliance or systemic non-compliance. For details of litigation claims and instances of non-compliance, please refer to the section headed “Business – Legal proceedings and legal compliance” of this prospectus.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

The following tables summarise the combined financial information of our Group during the Track Record Period. 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.

Highlights of combined statements of profit and loss and other comprehensive income

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Revenue	74,282	120,465	219,328	37,634	90,315
Gross profit	23,301	27,184	49,989	8,565	16,305
Profit and total comprehensive income attributable to owners of the Company	18,173	17,601	27,973	6,653	3,942

Highlights of combined statements of financial position

	As at 31 March			As at 31
	2015	2016	2017	July 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	10,101	15,982	21,271	26,277
Current assets	33,125	51,716	119,830	130,958
Current liabilities	23,815	28,193	70,546	81,344
Net current assets	9,310	23,523	49,284	49,614
Net assets	16,730	35,260	66,216	71,109

SUMMARY

Highlights of combined statements of cash flows

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Net cash from/(used in)					
operating activities	11,491	15,955	47,959	1,912	(17,879)
Net cash used in investing					
activities	(5,809)	(7,512)	(16,277)	(5,856)	(8,084)
Net cash (used in)/from					
financing activities	(7,996)	(7,114)	(3,113)	1,958	4,634
Net (decrease)/increase in					
cash and cash equivalents	(2,314)	1,329	28,569	(1,986)	(21,329)

Direct costs

The following table sets forth the components of our direct costs, by amount and as a percentage of total direct costs, for the periods indicated:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							<i>(unaudited)</i>			
Direct costs										
Costs of construction										
materials	11,053	21.7	12,946	13.9	32,734	19.3	6,993	24.1	16,580	22.4
Staff costs	6,474	12.7	11,455	12.3	22,582	13.3	5,282	18.2	11,669	15.8
Subcontracting charges	26,703	52.4	58,093	62.3	89,073	52.6	12,393	42.6	28,896	39.0
Depreciation charges	3,583	7.0	3,263	3.5	4,405	2.6	1,368	4.7	1,035	1.4
Machinery and equipment										
leasing expense	201	0.4	649	0.7	1,504	0.9	210	0.7	931	1.3
Transportation expenses	732	1.4	4,158	4.5	10,378	6.1	800	2.7	9,675	13.1
Others	2,235	4.4	2,717	2.8	8,663	5.2	2,023	7.0	5,224	7.0
Total	<u>50,981</u>	<u>100.0</u>	<u>93,281</u>	<u>100.0</u>	<u>169,339</u>	<u>100.0</u>	<u>29,069</u>	<u>100.0</u>	<u>74,010</u>	<u>100.0</u>

Our direct costs mainly consist of subcontracting charges, costs of construction materials and staff costs, which in aggregate have accounted for approximately 86.8%, 88.5%, 85.2% and 77.2% of our total direct costs for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. For details of our cost structure and the period-to-period comparison of our direct costs during the Track Record Period, please refer to the section headed “Financial Information” in this prospectus.

SUMMARY

Summary of financial ratios

	Year ended or as at 31 March			Four months ended or as at 31 July 2017
	2015	2016	2017	
Profitability ratios				
Gross profit margin	31.4%	22.6%	22.8%	18.1%
Net profit margin	24.5%	15.4%	14.1%	5.4%
Return on equity	108.6%	54.4%	46.4%	18.3%
Return on total assets	42.0%	27.4%	21.9%	9.3%
Capital adequacy ratio				
Interest coverage ratio	166.0 times	92.3 times	61.2 times	20.0 times
Liquidity ratios				
Current/Quick ratio	1.4 times	1.8 times	1.7 times	1.6 times
Capital adequacy ratios				
Gearing ratio (<i>Note</i>)	43.9%	20.3%	24.2%	36.0%

Note: Gearing ratio is calculated based on the total debt (summation of borrowings, obligations under finance leases and amount due to a director) as at the end of the respective year/period divided by total equity as at the end of the respective year/period, multiplied by 100% for each of the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017.

During the Track Record Period, as we expanded our business operation, built up our reputation and job references as a principal subcontractor in foundation and site formation subcontracting industry, and attempted to expand and diversify our customer base, we received increasing invitations for quotation submission and were awarded with more contracts of a relatively larger contract size, thereby increase our revenue. However, our quotation success rate decreased as (i) many of the increased invitations were from new customers who may not have established relationship with our Group yet; and (ii) due to capacity constraint, we had taken a relatively prudent approach in costs estimation which may cause our quotation to be less competitive.

We also experienced a decline in gross profit margin throughout the Track Record Period. As our Group gradually undertook foundation projects of relatively larger scale with higher contract sum, we were willing to bid at a relatively lower margin than that for projects with lower contract sum as the projects with higher contract sum could provide us a larger absolute amount of profits which may enhance our financial position and act as buffer against unexpected fluctuation in contract costs. For details, please refer to the sections headed “Business” and “Financial Information” in this prospectus.

SUMMARY

SHAREHOLDERS INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options that may be granted under the Share Option Scheme), Mr. Lee and Simple Joy (an investment holding company wholly-owned by Mr. Lee) will control approximately 67.86% of our Company's issued share capital. For the purpose of Listing Rules, Mr. Lee and Simple Joy are the Controlling Shareholders. For details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

DIVIDENDS AND DISTRIBUTABLE RESERVE

During the year ended 31 March 2015, Ming Lee Foundation declared and paid dividend of HK\$7.0 million to the then shareholders. On 6 December 2017, our Company declared a dividend in an amount of approximately HK\$21.9 million of which approximately HK\$20.0 million has been set off against the amount due from director and approximately HK\$1.9 million will be settled by cash by internal resources before Listing, which is expected to be on 27 December 2017. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment as our Group will continue to maintain net current assets and net assets position after such payment.

We do not have a fixed dividend policy and our Company does not have any predetermined dividend payout ratio. Our declaration of dividends, in the future, if any, will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. It is also subject to the approval of our Shareholders as well as the constitution of our Company. Our Company did not have any distributable reserve available for distribution to our Shareholders as at 31 July 2017.

MARKET SHARE

According to the Ipsos Report, our Group accounted for approximately 0.5% of the total market share of the foundation and site formation industry in Hong Kong for 2016 in terms of revenue. For details of the foundation and site formation industry structure and the positioning of our Group, please refer to the section headed "Industry Overview" in this prospectus.

LISTING EXPENSES

Our Directors expect that our total listing expenses are non-recurring in nature. Assuming the Offer Price of HK\$0.50 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing expenses in relation to the Share Offer are approximately HK\$18.7 million. The Vendor will bear the listing expenses of approximately HK\$1.8 million relating to the sale of the Sale Shares and the listing expenses to be borne by us are expected to be approximately HK\$16.9 million. Of such amount to be borne by us, approximately HK\$4.5 million is directly attributable to the issue of new Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$12.4 million, which cannot be so

SUMMARY

deducted, will be charged to profit or loss. Of the approximately HK\$12.4 million that will be charged to profit or loss, approximately HK\$2.3 million and HK\$4.7 million was charged to the combined statements of profit or loss and other comprehensive income for the year ended 31 March 2017 and the four months ended 31 July 2017, respectively, and approximately HK\$5.4 million is expected to be charged for the eight months ending 31 March 2018. These Listing expenses mainly comprised of professional fees paid and payable to the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the legal advisers and the reporting accountants for their services rendered in relation to the Share Offer.

RECENT DEVELOPMENTS

Subsequent to Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking foundation and related works in Hong Kong. As at the Latest Practicable Date, we had 12 projects on hand (including projects in progress and projects yet to commence). The aggregate contract sum of all contracts on hand is approximately HK\$415.0 million of which approximately HK\$109.8 million of revenue has been recognised during the Track Record Period. Based only on our projects completed and contracts on hand, we expect our revenue will be approximately HK\$329.1 million for the year ending 31 March 2018. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Please refer to the section headed “Business – Our projects” for details.

Our Directors anticipate that our gross profit margin, net profit margin and quotation success rate for the year ending 31 March 2018 will be lower than what we recorded during the Track Record Period. Our gross profit margin is expected to decline primarily because of the competitive project pricing arising from intense market competition on the back of growing operation costs. In particular, our Directors are aware of the increasing downward pressure on profit margin in the industry. According to the Ipsos Report, the foundation subcontracting industry was very competitive in the recent years, with companies offering discounts for tendered projects to better compete with other subcontractors. The increase in wages and aging workforce in the industry has also put pressure on profit margins. Our Directors are of the view that the expected decrease in our gross profit margin is in line with the industry trend. As impacted by the downward pressure on our gross profit margin, our net profit margin is also expected to decline accordingly. In addition, as we continue to submit quotations in response to an increasing number of invitations from potential first-time customers to diversity our customer base, coupled with the increasing competitive market condition, our quotation success rate is also expected to decline. Besides, as disclosed under the paragraph headed “Listing expenses” in this section, listing expenses of approximately HK\$10.1 million is expected to be charged to our combined statements of profit or loss and other comprehensive income for the year ending 31 March 2018, which will adversely and materially affect our performance for the aforesaid year.

Nevertheless, in view that (i) all of our existing projects have continued to contribute revenue to our Group and there has not been any material interruption as at the Latest Practicable Date; (ii) we have been continuously approached by our existing and potential

SUMMARY

customers for submitting quotations for new projects; and (iii) according to the Ipsos Report, the outlook of Hong Kong's foundation and site formation industry is positive, our Directors have been cautiously optimistic in preparing our quotations with an aim to expand our business and to maintain our profitability.

On 6 December 2017, our Company declared a dividend in an amount of approximately HK\$21.9 million.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, there have not been any material adverse changes on our financial and trading position and our prospect after the Track Record Period and up to the date of this prospectus.

SHARE OFFER STATISTICS

Market capitalisation at Listing ^(Note 1)	:	HK\$360 million to HK\$440 million
Offer size	:	25% of the enlarged issued share capital of our Company
Offer Price per Offer Share	:	HK\$0.45 to HK\$0.55
Number of Offer Shares	:	200,000,000 Shares (comprising 140,000,000 new Shares and 60,000,000 Sale Shares)
Number of Public Offer Shares	:	20,000,000 new Shares (subject to reallocation)
Number of Placing Shares	:	180,000,000 Shares, comprising 120,000,000 new Shares and 60,000,000 Sale Shares (subject to reallocation)
Board lot	:	10,000 Shares
Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share ^(Notes 2 & 3)	:	HK\$0.16 based on an Offer Price of HK\$0.45 per Share; and HK\$0.18 based on an Offer Price of HK\$0.55 per Share

Notes:

1. The calculation of the market capitalisation of the Shares is based on 800,000,000 Shares in issue immediately after completion of the Share Offer.
2. The unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share has been arrived at after the adjustments referred to under the paragraph headed "Unaudited pro forma adjusted combined net tangible assets" in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis that 742,910,000 Shares, representing the aggregate of 9,135 Shares held by Simple Joy as at 31 July 2017, capitalisation of shares of 602,900,865 Shares attributable to the Shares held by Simple Joy and 140,000,000 new Shares, were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 July 2017, and does not take into account of Shares held by Simply Marvel, or any Shares which may be allocated 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 sections headed "Share Capital" and "Statutory and General Information" in Appendix IV of this prospectus.
3. On 6 December 2017, a dividend of approximately HK\$21.9 million was declared. The unaudited pro forma adjusted consolidated net tangible assets had not taken into account of the above transaction. Had the effect of the dividend of HK\$21.9 million been taken into account, the unaudited pro forma adjusted combined net tangible assets per Share would have been HK\$0.13 and HK\$0.15 at the Offer Price of HK\$0.45 and HK\$0.55, respectively, on the basis that 800,000,000 Shares were in issue and that the Reorganisation, the declaration of dividend, the Share Offer and the Capitalisation Issue had been completed on 31 July 2017.

SUMMARY

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Sale Shares by the Vendor in the Share Offer. We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.50, being the mid-point of the Offer Price range, of approximately HK\$53.1 million as follows:

	Total <i>(HK\$'000)</i>	Approximate percentage <i>(%)</i>
Funding the initial costs of foundation projects	23,307	43.9
Strengthening manpower	12,460	23.5
Acquiring machinery	12,500	23.6
General working capital	<u>4,796</u>	<u>9.0</u>
	<u><u>53,063</u></u>	<u><u>100.0</u></u>

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for details.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period as set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on 4 December 2017 and as amended from time to time, a summary of which is set forth in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board”	our board of Directors
“Building Authority”	the Building Authority of the Government, which provides services to owners and occupants in both existing and new buildings in the private sector through the enforcement of the Buildings Ordinance
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands

DEFINITIONS

“Capitalisation Issue”	the issue of 659,990,000 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the section headed “Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our existing Shareholders passed on 4 December 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 participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board, namely Mr. Lee
“Chief Executive Officer”	chief executive officer of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company” or “our Company”	Ling Yui Holdings Limited (凌銳控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 January 2017 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 March 2017
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Construction Industry Council”	the Construction Industry Council of Hong Kong, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Controlling Shareholder(s)”	has the meaning ascribed to it thereto under the Listing Rules, namely Simple Joy and Mr. Lee. Please see the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details
“Corporate Governance Code”	Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated 4 December 2017 given by our Controlling Shareholders in favour of our Company (for itself and for the benefit of our subsidiaries) regarding certain indemnities, details of which are set out in the section headed “Statutory and General Information – E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 4 December 2017 given by our Controlling Shareholders in favour of our Company (for itself and for the benefit of our subsidiaries) regarding non-competition undertaking, details of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-competition undertaking” in this prospectus
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company

DEFINITIONS

“Frontpage Capital” or “Sponsor”	Frontpage Capital Limited, a licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and sponsor for the Listing, and an independent third party
“Future Land”	Future Land Resources Securities Limited, a licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Government”	the Government of Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, lawful currency of Hong Kong
“HKASs”	Hong Kong Accounting Standards issued by the HKICPA
“HK eIPO White Form”	the application for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at <i>www.hkeipo.hk</i>
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at <i>www.hkeipo.hk</i>
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Housing Authority”	the Housing Authority of the Government
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or Substantial Shareholders of our Company, our subsidiaries or any of their respective associates
“Ipsos”	Ipsos Limited, an Independent Third Party, being a professional market research company
“Ipsos Report”	the industry report on the market overview and competitive analysis for the foundation and site formation industry in Hong Kong compiled by Ipsos, the content of which is quoted in this prospectus
“Joint Bookrunners”	Future Land and South China
“Joint Lead Managers”	Frontpage Capital, Future Land and South China
“Latest Practicable Date”	6 December 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Thursday, 28 December 2017, on which our Shares are listed and dealings in our Shares commence on the Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association”	the memorandum of association of our Company, adopted on 4 December 2017 and as amended from time to time
“Ming Lee Engineering”	Ming Lee Engineering Company Limited (明利機械工程有限公司), a company incorporated in Hong Kong with limited liability on 1 November 2000 which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Ming Lee Foundation”	Ming Lee Foundation Company Limited (明利基礎工程有限公司), a company incorporated in Hong Kong with limited liability on 10 August 2007 which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Mr. Chan”	Mr. Chan Siu Hung (陳少鴻), being our chief executive officer and executive Director
“Mr. Lee”	Mr. Lee Kim Ming (李劍明), being our Chairman, executive Director and a Controlling Shareholder
“Ms. Fu”	Ms. Fu Jingyan(付靜艷), the spouse of Mr. Chan
“Ms. Yeung”	Ms. Yeung Yuen Man(楊婉雯), the spouse of Mr. Lee
“Nomination Committee”	the nomination committee of our Board
“NRMM Regulation”	Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)

DEFINITIONS

“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Pricing and allocation – Determining the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares collectively
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and private investors as set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 120,000,000 new Shares and 60,000,000 Sale Shares initially offered by our Company and the Vendor, respectively, for subscription and/or purchase at the Offer Price pursuant to the Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing expected to be entered into on or around Wednesday, 20 December 2017 by, among others, our Company and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China and, except where the context otherwise requires and for the purpose of this prospectus only, does not include Hong Kong, Macau and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Company (Winding Up and Miscellaneous Provisions) Ordinance

DEFINITIONS

“Price Determination Agreement”	the agreement expected to be entered into between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the final Offer Price
“Price Determination Date”	the date, expected to be on or around Wednesday, 20 December 2017 on which the final Offer Price is to be fixed for the purpose of the Share Offer but in any event no later than Friday, 22 December 2017
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 20,000,000 new Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, who have entered into the Public Offer Underwriting Agreement to underwrite the Public Offer Shares
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 11 December 2017 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Regulation S”	the Regulation S under the U.S. Securities Act
“Remuneration Committee”	The remuneration committee of our Board
“Reorganisation”	the reorganisation we have undergone in preparation for the Listing of Shares on the Stock Exchange which are more particularly described in the section headed “History, Development and Reorganisation” in this prospectus

DEFINITIONS

“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in the section headed Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus
“Sale Shares”	the 60,000,000 Offer Shares initially offered by the Vendor of the Offer Price under the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 4 December 2017, the principal terms of which are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Simple Joy”	Simple Joy Investments Limited, a company incorporated in the BVI with limited liability on 3 January 2017 and is wholly-owned by Mr. Lee
“Simply Marvel”	Simply Marvel Limited, a company incorporated in the BVI with limited liability on 3 January 2017 and is wholly-owned by Mr. Chan
“Smart Sage”	Smart Sage Limited, a company incorporated in the BVI with limited liability on 3 January 2017 and will become a direct wholly-owned subsidiary of the Company after completion of the Reorganisation
“South China”	South China Securities Limited, a licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO

DEFINITIONS

“Southern Sun”	Southern Sun Investments Limited, a company incorporated in the BVI with limited liability on 3 January 2017 and will become a direct wholly-owned subsidiary of the Company after completion of the Reorganisation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 31 March 2017 and the four months ended 31 July 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement collectively
“United States” or “U.S.”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“Vendor”	Simple Joy, our existing Shareholder who is expected to offer to sell the Sale Shares in the Placing
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“mm”	millimetre

DEFINITIONS

“sq. m.” square metres

“%” per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and its business. These terms and their given meanings may or may not correspond to standard industry meaning or usage of these terms

“BEAM Plus”	an acronym for Building Environmental Assessment Method which is a green building assessment system to assess, improve, certify and label the performance of buildings
“bills of quantities”	a list of items giving brief identifying descriptions and the quantities measured in accordance with this document in respect of the work to be performed. The main functions of the bills of quantities are (a) to allow a comparison of tender prices of tenders obtained from tenderers; and (b) to provide a means of valuing the work executed when the contract has been entered into
“bored piles” or “bored piling”	a type of pile installed by machine boring to the required level and subsequently inserting reinforcement cage into the hole and filling the hole with concrete
“CAGR”	compound annual growth rate
“ELS”	excavation and lateral support
“GDP”	Gross Domestic Product
“Green Card”	Construction Safety Training Certificate issued by Labour Department proving the workers’ enrollment of occupational health and safety training courses recognised by the Labour Department
“grouting”	the placing of grout which usually involves injecting a grout material through a tube into void spaces by pressure
“H-pile” or “H-piling”	a dimensionally square structural beam designed to be driven into bed rock to transfer structural loads to rock layers with higher load-bearing capacity
“hydraulic breaker” or “hydraulic hammer”	a percussion hammer fitted to an excavator for demolishing concrete structures or rocks

GLOSSARY OF TECHNICAL TERMS

“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
“ISO 14001”	an international standard that gives a framework for an environmental management system
“main contractor”	a contractor, appointed by the project employer, who is generally responsible for the administration and overall supervision of all the construction works involved in the construction project and delegate specific work tasks of the construction to different subcontractors
“mini piles” or “mini-piling”	a type of pile which consists of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400mm in diameter
“NRMM”	Non-road mobile machinery
“OHSAS”	acronym for Occupational Health and Safety Management System, which provides a framework for organisations to identify and control its health
“OHSAS 18001”	an international standard that gives a framework for an occupational health and safety management system
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from structure above to the pile or group of piles
“pipe piling”	a type of pile designed to use circular steel tubes or pipes to provide intermitted vertical support and are installed before excavation commence
“pre-boring”	removal of ground or underground obstacles by boring or other means to enable a pile to be installed
“Registered Contractor”	a contractor whose name is entered into the registers of general building contractors and specialist contractors, being kept by the Building Authority

GLOSSARY OF TECHNICAL TERMS

“Registered Professional Engineer”	a person whose name is on the register of registered professional engineers established and maintained under Section 7 of the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong)
“sheet piles” or “sheet piling”	a type of pile of thin interlocking steel sheet used to construct a continuous barrier in the ground
“shotcreting”	a process in which compressed air forces mortar or concrete through a hose onto a surface at a high velocity
“site formation works”	any works including excavations on sloping land, filling, landslip preventive works, landslip remedial works and ground water drainage works
“socketed H-piles” or “socketed H-piling”	a type of pile formed by inserting a steel H-pile section into a prebored hole formed into the bedrock and the prebored hole is then filled with non-shrink cement grout
“Technical Circular”	the technical circular issued by the work branch of the Development Bureau on 8 February 2015
“Ten Major Infrastructure Projects”	Ten Major Infrastructure Projects announced in the 2007-08 policy address issued by the chief executive of Hong Kong including the South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Line and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our Group’s business prospects;
- our Group’s contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group’s business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operate;
- changes to the regulatory environment and general outlook in the industry and markets in which our Group operate;
- the effects of the global financial markets and economic crisis;
- our Group’s financial position;
- our Group’s ability to reduce costs;
- our Group’s dividend;
- the amount and nature of, and potential for, future development of our Group’s business;
- various business opportunities that our Group may pursue;
- capital market developments;
- our Group’s ability to source raw materials;

FORWARD-LOOKING STATEMENTS

- fluctuation in the prices of raw materials and our Group's ability to pass-through any increases in price to customers;
- our Group's ability to protect our Group's intellectual property rights;
- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

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

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

RISKS RELATING TO OUR BUSINESS

A significant portion of our revenue was generated from contracts which were not recurrent in nature and were awarded by a few customers, and any decrease in the number of projects with our major customers would adversely affect our operations and financial results

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our top five customers' revenue contribution for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 accounted for approximately 99.6%, 99.6%, 99.4% and 95.2% of our revenue of the same period, respectively. For the same period, our largest customer accounted for approximately 40.1%, 69.1%, 48.5% and 38.7% of our revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term service agreement or master service agreement with our customers. Furthermore, our service contracts for all foundation works are on a project-by-project basis and we secured new business mainly through direct invitation for quotation by customers during the Track Record Period. As such, there is no assurance that we will be able to retain our customers upon expiry of the contract period or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded by our top five customers to us for whatever reasons, or there is a significant decrease in the number of quotation invitations in the future and we are unable to secure new projects, our financial conditions and operating results would be materially and adversely affected. Besides, if any of our top five customers experiences any liquidity problem, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash flows and

RISK FACTORS

financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

We have recorded negative operating cash flows for the four months ended 31 July 2017

Our Group recorded net cash used in operating activities of approximately HK\$17.9 million for the four months ended 31 July 2017 primarily due to the increase in amounts due from customers for contract works of approximately HK\$21.7 million and the increase in trade receivables of approximately HK\$5.9 million mainly arising from the substantial value of construction works completed near the period ended 31 July 2017. For details of our cash flows, please refer to the section headed “Financial Information – Liquidity and capital resources – Cash flows” in this prospectus. We cannot assure that we will not experience periods of net cash outflow from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operation and growth prospects.

As we from time to time engage subcontractors in our works, we may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of our subcontractors

During the Track Record Period, we subcontracted certain portions of our projects, including reinforcement fixing works, hoarding, certain site formation and piling works, to our subcontractors who are Independent Third Parties. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the total subcontracting charges amounted to approximately HK\$26.7 million, HK\$58.1 million, HK\$89.1 million and HK\$28.9 million, respectively, representing approximately 52.4%, 62.3%, 52.6% and 39.0% of our direct costs, respectively. For details of our arrangements with subcontractors, please refer to the section headed “Business – Our suppliers – Subcontracting” of this prospectus. Subcontracting may expose us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may experience deterioration in the quality or delivery of our works, incur additional costs due to the delays, suffer a higher price in sourcing the services, equipment or supplies in default, or be subject to liability under the relevant projects. Such events could impact upon our profitability, financial performance and reputation, or result in litigation or damage claims.

There is no assurance that we would be able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. If our subcontractors fail to meet our requirements, we may experience delay in project completion, quality issues concerning the works done or non-performance by subcontractors. Consequently, we may incur significant time and costs to carry out remedial actions, which would in turn adversely affect the profitability and reputation of our business, and result in litigation or damage claims against us. If our subcontractors violate any laws, rules or regulations, we may also be held liable for their violations, and be subject to claims for losses and damages if such violations result in any personal injuries and/or property damages.

RISK FACTORS

In addition, our subcontractors may not always be readily available whenever we need to engage them and there is no assurance that we would be able to maintain good working relationships with our sub-contractors in the future. As at the Latest Practicable Date, we had not entered into any long-term service agreement with our subcontractors. Further, there is no assurance that we would be able to find suitable alternative subcontractors that meet our project needs and requirements to complete the projects, which would in turn adversely affect our operations and financial results.

We determine the price of our quotation based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from our estimate due to unexpected circumstances, thereby adversely affecting our operations and financial results

We determine the price of quotation based on our cost estimate plus a certain mark-up margin. For details of the factors we take into account when making our cost estimate, please refer to the section headed “Business – Business model and our operation – 1. Invitation for quotation, preparation and submission” of this prospectus. The actual time and costs incurred by us, however, may be adversely affected by various factors, including (i) the specifications, underground conditions and difficulties of the potential project; (ii) the duration of the potential project; (iii) the site location and the conditions and adjacent risk of building structures nearby; and (iv) the resource availability. Significant changes in any of these or other relevant factors may lead to delay in completion or costs overrun by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays.

The geological conditions for underground projects are difficult to be anticipated and this may incur higher project expenses

We are exposed to inherent project risk that the geological conditions of the underground projects are difficult to be anticipated and unforeseen problems or circumstances may occur during the project implementation. Site survey and geotechnical reports may not be sufficient to reveal the actual geology beneath the construction site due to limitation in the scope of the underground investigation reports, and the investigation may not be able to reveal the existence of rocks or identify any antiquities, monuments or structures beneath the site. All of these may eventually present potential issues and uncertainties in carrying out our foundation works, such as the possible increase in the complexity of the project resulting from additional work procedures, workers, equipment and time required to deal with any unexpected existence of rocks, antiquities or monuments, which may also lead to additional costs to be incurred. If such risk arises, our progress of projects may be delayed and our project expenses may increase. As our contracts with customers are usually of a fixed sum without any price adjustment clause, we are subject to the cost overruns and the adverse effect on our profitability.

RISK FACTORS

We may be liable for damage caused to underground services utilities and infrastructures and/or foundation of aged building adjacent to the construction site where we carry out our foundation projects

When we carry out foundation projects, we may encounter fresh and flush water mains, electric cables, telephone and internet cables, cable television wire, gas mains and other services utilities and infrastructures which are laid underground or below carriageways and footways. If damage is made to these services utilities during our works, we may be liable for the costs for the repair of such utilities and the relevant remedial works will increase our costs for the projects and may cause delay in our project schedule. Further, there may be some aged buildings adjacent to the construction sites where we carry out our foundation projects, and we may be required to revise our project plan if relevant authorities would conduct investigation. As such, this may lead to delay of our projects and incur additional costs in our construction.

Our listing expenses, which are non-recurring in nature would significantly and adversely affect our financial performance and results of operation

Our Directors estimate that the aggregate amount of expenses in relation to the Listing will be approximately HK\$18.7 million, approximately HK\$16.9 million of which will be borne by our Group. Approximately HK\$2.3 million was charged to profit or loss for the year ended 31 March 2017. For the remaining amount of approximately HK\$14.6 million, our Group expects to further charge approximately HK\$10.1 million to profit or loss for the year ending 31 March 2018, while approximately HK\$4.5 million is expected to be directly attributable to the issue of the new Shares and accounted for as a deduction from equity upon successful listing under the relevant accounting standards. Expenses in relation to the Listing are non-recurring in nature. Whether or not the Listing eventually occurs, a major portion of the Listing expenses will be incurred and recognised as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. As a result, our Board wishes to inform the Shareholders and potential investors that our Group's business, financial performance, results of operations and prospect would be significantly and adversely affected by the estimated expenses in relation to the Listing.

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

For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our revenue was approximately HK\$74.3 million, HK\$120.5 million, HK\$219.3 million and HK\$90.3 million, respectively. For the same period, our profit and total comprehensive income was approximately HK\$18.2 million, HK\$18.5 million, HK\$31.0 million and HK\$4.9 million, respectively. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our gross profit was approximately HK\$23.3 million, HK\$27.2 million, HK\$50.0 million and HK\$16.3 million, respectively, whereas our gross profit margin for the same period was 31.4%, 22.6%, 22.8% and 18.1%, respectively. For discussions as to our results of operations, please refer to the section headed "Financial Information – Period to period comparison of results of operations" of this prospectus.

RISK FACTORS

There is inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, deterioration in the market conditions of the construction industry in Hong Kong, intensification of competition, aggravation in labour shortage, and other unforeseen factors such as adverse weather and geological conditions, which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

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

We may be involved in disputes with our employees, customers, suppliers, subcontractors and other project parties from time to time in respect of various matters, including delay in completion of foundation projects, personal injury claims, complaints about the quality of completed works and damages to machinery and equipment arising from daily operation.

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

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

RISK FACTORS

We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cash flows or financial results

In general, we do not receive any prepayment from our customers. Nevertheless, during the commencement of a project, we may incur various costs, including but not limited to: (i) purchase costs of construction materials and supplies; (ii) rental costs for machinery; and (iii) settlement of our workers' salary and our subcontractors' fees. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us. For details of the mechanisms of the progress payment and retention money, please refer to the section headed "Business – Business model and our operation" of this prospectus.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, our trade receivables amounted to approximately HK\$9.5 million, HK\$1.4 million, HK\$9.3 million and HK\$15.2 million, respectively, and the respective trade receivables accounted for approximately 28.8%, 2.6%, 7.8% and 11.6% of the total current assets, respectively. In addition, the trade receivables turnover days were 38.7 days, 16.5 days, 8.9 days and 16.6 days for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. As at 31 March 2015, 2016 and 2017 and 31 July 2017, the amounts due from our customers for contract work, including the retention monies held by our customers, amounted to approximately HK\$15.8 million, HK\$33.9 million, HK\$53.4 million and HK\$75.0 million, respectively. For details of the fluctuations in our trade receivables, amounts due from customers for contract work, and trade receivables turnover days, please refer to the section headed "Financial Information – Discussion of certain combined statements of financial position items" of this prospectus. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or we will be able to collect all or any part of trade receivables from our customers within the agreed credit terms or at all.

Further, in the event that disputes arise between us and the main contractor or customer as to the variation orders, there is a possibility that we may take longer time than the credit period offered to collect payments. This will negatively affect our cash flows and financial performance.

Our cash flows position may deteriorate due to potential mismatches in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers

We may delegate specific work tasks to our subcontractors from time to time for our projects. We also rely on machinery and construction equipment to carry out our operations, and need to purchase various construction materials and supplies to complete our subcontract works. As such, we would record significant cash outflow in the event that we take up too many substantial projects at a particular period of time.

RISK FACTORS

As at 31 March 2015, 2016 and 2017 and 31 July 2017, our trade payables amounted to approximately HK\$7.6 million, HK\$18.3 million, HK\$41.8 million and HK\$34.6 million, respectively, and the respective trade payables accounted for 31.7%, 64.8%, 59.2% and 42.7% of the total current liabilities respectively. In addition, the trade payables turnover days were 43.5 days, 50.7 days, 64.7 days and 62.9 days for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. For details of the fluctuations in our retention payables to our subcontractors and our suppliers and the trade payables turnover days, please refer to the section headed “Financial Information – Discussion of certain combined statements of financial position items – Trade payables” of this prospectus.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention monies by our customers. Nevertheless, even if our customers settle such payments on time and in full, there can be no assurance that we would not experience any significant cash flow mismatch. Further, there can be no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch, we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

Amount recognised as revenue by us may not be the same as the value of works to be certified by our customer

Our Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to be recognised in a given period. For all interim payments, the stage of completion of a project is measured by reference to works completed based on the proportion that contract cost performed to date relative to the estimated total contract costs. As such, revenue recognised by us during the implementation of a project may not necessarily be the same amount eventually to be certified by our customer, who will undergo certification process after we submit our interim payment application. Disputes may arise between us and our customers in the amount certified by our customers and the amount submitted by us for interim payment application. There is no assurance that our recognised revenue during the implementation of a project will always be the same amount certified by our customer. If our customer’s final certified amount is significantly less than the revenue recognised by our Group in a given period, we may have to make adjustments to our recognised revenue for such temporary timing difference in recognition of final contract sum which may affect the stability of our results of operations.

There is no guarantee that safety measures and procedures implemented at our construction sites could prevent the occurrence of industrial accidents of all kinds, which in turn might lead to claims in respect of employees’ compensation, personal injuries, fatal accidents, and/or property damages against us

We have adopted certain work safety measures and procedures for our staff and our subcontractors’ staff. For details, please refer to the section headed “Business – Occupational health and safety” of this prospectus. We rely on our staff to oversee the implementation of safety measures and procedures, and we cannot guarantee that all of the

RISK FACTORS

safety measures and procedures are strictly adhered to at any time, nor can we assure you that our safety measures and procedures are sufficient to prevent the occurrence of industrial accidents of all kinds. If the safety measures and procedures implemented at our construction sites are insufficient or not strictly adhered to, it may result in industrial accidents which would in turn lead to claims in respect of employees' compensation, personal injuries, fatal accidents, and/or property damage against us. These would result in significant financial loss, damages to our reputation in the construction industry and adversely affect our financial conditions. Please refer to the section headed "Business – Legal proceedings and legal compliance" in this prospectus for further information of accidents occurred during the Track Record Period and up to the Latest Practicable Date.

Our business operations depend on the expertise and continuing performance of our key management personnel, and their departure would adversely affect our operations and financial results

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our executive Directors and senior management team. For details, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus. They have been key members of our management team and playing a pivotal managerial role in areas such as conducting our daily operations and formulating our long-term business strategies. If any of our executive Directors or members of senior management is/are unable or unwilling to continue in their present positions, we might not be able to identify suitable replacements in a timely manner, or at all. Our business may hence be severely disrupted and our financial condition and operating results may be materially and adversely affected.

If we fail to complete our works on time or at all, we may be required to compensate our customers for breach of contract and be required to pay liquidated damages or other penalties

Generally, the subcontracts would set out the due date of the contracted works. If we fail to complete the contracted works by the due date, we may be required to compensate our customers according to the mechanism stated in the subcontracts, unless they agree to grant us extension to complete the remaining works.

There may be delay or disruption to our foundation projects due to unforeseen circumstances that are beyond our expectation or control, including but not limited to: (i) unexpected geological and utilities conditions in the underground of the work sites; (ii) unfavourable weather conditions; and/or (iii) other construction risks such as work injuries and disputes with our customers, suppliers, subcontractors and other project parties.

As such, we cannot guarantee that we will complete every project on time or at all, nor can we assure you that our customers would grant us sufficient time extensions in case of delay in completion. If we fail to complete the projects on time, significant amount of liquidation damages or other penalties may be imposed upon us, which would in turn adversely affect our profitability and operating results.

RISK FACTORS

Our insurance may not fully cover all potential loss and claims, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results

Where we undertake the role of subcontractor in a project, employees' compensation insurance and contractors' all risks insurance should be taken out by the project's main contractor for the staff at construction site. As to our machinery deployed in the work sites, we are generally required to maintain our own insurance policy. For details, please refer to the section headed "Business – Insurance" of this prospectus.

Nonetheless, there is no assurance that all potential losses and expenses incurred from damages or liabilities in relation to our business can be fully covered by insurance. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

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

Our Group may be unable to prevent, detect or deter all such instances of fraud, theft, dishonestly, or other misconduct committed by its employees, suppliers or other third parties. Any such fraud or other misconduct committed against 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, results of operations and financial condition.

Substantial amount of capital is required to fund the initial and operating cost of our projects. Any delay in the Listing schedule and failure to obtain funding on terms acceptable to us in a timely manner may adversely affect our financial results

We intend to utilise part of the net proceeds received from the Share Offer to fund the initial costs and/or the operating costs to be incurred in the early stage of the Island Road Project, the Java Road Project and the Wong Chuk Hang Project. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

However, any delays in the Listing schedule may affect the timing of the net proceeds to be received by us from the Share Offer. In this regard, we may have to rely on debt financing to fund the aforesaid project's initial cost and operating cost. Our ability to obtain debt financing and the cost of such financing are dependent on a number of factors, including but not limited to the general economic conditions and the credit availability from banks or other lenders. If the Listing fails to eventuate in time and we are unable to raise sufficient funding on terms acceptable to us in a timely manner, the works progress of the aforesaid projects may be severely delayed and we may not be able to complete the aforesaid projects on time which may lead to significant amount of liquidation damages or other penalties being imposed upon us. In such cases, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

We plan to expand our capacity by acquiring machinery and construction equipment and strengthening our manpower, which may result in an increase in depreciation expenses and staff costs and may adversely affect our operating results and financial position

It is our business strategies to acquire additional machinery and construction equipment, and to further strengthen our manpower by utilising a portion of the net proceeds from the Share Offer. Please refer to the sections headed “Business – Business strategies” and “Future Plans and Use of Proceeds” for details.

As a result of the purchase of additional machinery and construction equipment, based on the intended timing of deployment of the net proceeds for purchasing the additional machinery and construction equipment, it is estimated that additional depreciation of approximately HK\$168,000 and HK\$935,000 from the new machinery and construction equipment will be charged to our profit and loss account for the years ending 31 March 2018 and 2019, respectively. In addition, based on the intended timing of deployment of the net proceeds for expansion of our manpower, it is estimated that additional staff costs of approximately HK\$1.6 million and HK\$4.7 million will be incurred for the years ending 31 March 2018 and 2019, respectively.

Given our planned investments in machinery and construction equipment and manpower will increase our fixed costs, any material adverse change in construction industry and material decrease in demand of our construction services may lead to excessive machinery and manpower capacities and in turn, our business and financial positions may be adversely affected.

Dividends declared in the past may not be indicative in the future

For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, Ming Lee Foundation declared and paid dividends of HK\$7.0 million, nil, nil and nil, respectively. On 6 December 2017, our Company declared a dividend in an amount of approximately HK\$21.9 million of which approximately HK\$20.0 million has been set off against the amount due from director and approximately HK\$1.9 million will be settled by cash by internal resources before Listing, which is expected to be on 27 December 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 and paid by our Company to the Shareholders in the future after Listing. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group’s earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend, please refer to the section headed “Financial Information – Dividends and distributable reserves” of this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

RISK FACTORS

Our business plans and strategies may not be successful or achieved within the expected time frame or the estimated budget

We intend to further enhance our machinery and strengthen our manpower in order to cope with the expected increase in demand for our services. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. In addition, the timing and the funding requirement of certain of our existing projects which we intend to fund by the net proceeds from the Share Offer may be different from our expectation, and the related project return may not materialise within the expected time frame or in line with the estimated budget. There is also no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Any deterioration in the prevailing market conditions in the construction industry may adversely affect our performance and financial condition

During the Track Record Period, all our business operations are located in Hong Kong. Our direct customers are primarily the main contractors of various types of property development or civil engineering projects in Hong Kong, whose owners are our ultimate customers. The number of projects awarded to us depend highly on the prevailing market conditions in the construction industry, including shortage of skilled labour; economic fluctuations in Hong Kong, availability of new projects in the private sector; and general conditions and development of Hong Kong economy. If there is any significant deterioration in any of these factors, our operating results and financial conditions could be adversely affected.

We operate in a competitive market

According to the Ipsos Report, the foundation and site formation industry in Hong Kong has a number of participants and is competitive. As of December 2017, there were an aggregate of over 400 foundation main contractors and subcontractors in Hong Kong. Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, longer operating history, longer and more established relationship with main contractors, and greater marketing and other forms of resources. Further, new participants may enter the industry provided that they possess all the various licences, resources and qualifications required. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

RISK FACTORS

Changes in existing laws, regulations and Government policies, including but not limited to the introduction of more stringent laws and regulations on environmental protection and labour safety may cause us to incur substantial additional expenditure

Many aspects of our business operations are governed by various laws and regulations, and Government policies. The requirements in respect of the operations in the construction industry may change from time to time, and we may not be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operations. For example, if there are any changes to and/or imposition of the requirements for qualification in the construction industry in relation to environment protection and labour safety and we fail to meet the new requirements in a timely manner or at all, our business operations will be materially and adversely affected.

We rely on a stable workforce to carry out our foundation projects. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

We rely on a stable workforce to carry out our foundation projects. In particular, we require a large number of construction workers and machinery operators with various skills and expertise. According to the Ipsos Report, however, the construction industry in Hong Kong is suffering from the challenges of labour shortage and aging work force. Despite the increase in the average wage of construction workers at a CAGR of 9.9% from 2012 to 2016, the construction labor shortage situation is still severe.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, in view of the current situation in the labour market, we cannot assure you that we will not experience these problems in the future, and as a result, we would have to offer better remuneration packages and other benefits to attract and retain key personnel and skilled labour. There can be no assurance that we will possess sufficient resources for such purpose. If we cannot retain or recruit sufficient number of skilled workers to handle our projects in a timely manner, we may experience delay in project completion and our ability to handle future projects would in turn be significantly impaired.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may adversely affect our performance and financial condition

All of our revenue during the Track Record Period was derived from foundation projects in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

RISK FACTORS

The state of political environment in Hong Kong may adversely affect our performance and financial condition

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since all of our operations are based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the Hong Kong economy, thereby directly and adversely affecting our results of operations and financial positions.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares and an active trading market for the Shares may not develop or be sustained

Prior to the Share Offer, no public market for the Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure our investors that an active trading market for the Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure our investors that the Shares will trade in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for the Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of the Shares could be materially and adversely affected.

The trading price and volume of the Shares may be volatile, which could result in substantial loss to our investors

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of the Shares, changes in securities analysts’ (if any) estimates of our financial performance, investors’ perceptions of our Group and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect trading price of the Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies and involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of the Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of the Shares.

RISK FACTORS

Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of the Offer Shares begins. The Offer Price of the Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in the Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, holders of the Shares are subject to the risk that the price of the Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time of trading begins.

Investors for the Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price is higher than the net tangible asset value per Share. Therefore, investors of the Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK\$0.13 per Share or HK\$0.15 per Share based on the Offer Price at HK\$0.45 per Offer Share (being the low-end of the proposed Offer Price range) or HK\$0.55 per Share (being the high-end of the proposed Offer Price range), respectively on the basis that 800,000,000 Shares were in issue and that the Reorganisation, the declaration of dividend in an amount of approximately HK\$21.9 million on 6 December 2017, the Share Offer and the Capitalisation Issue had been completed on 31 July 2017.

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

Future disposal or perceived disposal by the 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

Disposal of substantial amounts of the Shares in the public market after the completion of the Share Offer or the perception that disposal could occur, could adversely affect the market price of the Shares and could materially impair our future ability to raise capital through offerings of the Shares. There is no assurance that the major Shareholders would not dispose of their shareholdings. Any significant disposal of the Shares by any of the major Shareholders may materially affect the prevailing market price of the Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we consider appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of the Shares.

RISK FACTORS

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those in Hong Kong

The corporate affairs are governed by the Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of the Companies Law is set out in Appendix III to this prospectus.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

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

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press and media coverage regarding the Share Offer and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this prospectus have been derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer. Therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

RISK FACTORS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk Factors” of this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE SHARE OFFER

The Share Offer comprises the Public Offer of 20,000,000 new Shares initially offered by our Company and the Placing of 180,000,000 Shares (comprising 120,000,000 new Shares and 60,000,000 Sale Shares initially offered by our Company and the Vendor, respectively) (subject, in each case, to reallocation on the basis under the section headed "Structure and Conditions of the Share Offer" in this prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein.

No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in 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, and the procedures 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.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters on a conditional basis, under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

expected to be entered on or around the Price Determination Date, subject to any agreement on pricing of the Offer Shares between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor). The Share Offer is managed by the Joint Lead Managers.

If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) by Friday, 22 December 2017, the Share Offer will not proceed. Further information relating to the Underwriters and underwriting arrangement are contained in the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers, in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

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

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

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

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus, and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

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

REGISTER OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on the Hong Kong Branch Share Register of members to be maintained by Tricor Investor Services Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Estera Trust (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m on Thursday, 28 December 2017. Except for our pending application to the Stock Exchange for listing of and permission to deal in the Offer Shares, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list on any other stock exchange is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 784. Our Company will not issue any temporary documents of title.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date determined by HKSCC.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice from their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

All necessary arrangements have been made to enable for the Shares into be admitted to CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. It is emphasised that none of our Group, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of, dealing in, the Shares or exercising any rights attached to them.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures 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 the relevant Application Forms.

VENDOR

The Share Offer consists of 200,000,000 Offer Shares, of which 60,000,000 Sale Shares shall be offered for sale by the Vendor. We estimate that the net proceeds to the Vendor from the sale of the Sale Shares (after deduction of expenses in connection with the Listing borne by them of approximately HK\$1.8 million, which is the proportional underwriting commission payable to the Underwriters for such sale of the Sale Shares and assuming an Offer Price of HK\$0.50, being the mid-point of the Offer Price range) will be approximately HK\$28.2 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Details of the Vendor are set out in the section headed “Statutory and General Information – E. Other information – 11. Particulars of the Vendor” in Appendix IV to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

ROUNDING

Certain amount and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere in this prospectus between totals and sums of individual amounts listed therein are due to rounding.

WEBSITE

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

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. However, names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Director</i>		
Mr. Lee Kim Ming (李劍明)	Flat 2A, 9/F Mount One No. 39 Luen Hing Street Fanling New Territories Hong Kong	Chinese
Mr. Chan Siu Hung (陳少鴻)	Flat 5A, 3/F 7 Street Tai Wai Village Shatin New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chong Kam Fung (莊金峰)	Flat G, 19th Floor Block 3A Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong	Chinese
Mr. Chung Yan Yee Andrew (鍾欣餘)	Flat A, 16th Floor, Tower 2 11 Tai Hang Road Serenade, Tai Hang Hong Kong	Chinese
Mr. Ho Chun Chung Patrick (何振琮)	Flat 41B, Block 6 Bellagio 33 Castle Peak Road Sham Tseng New Territories Hong Kong	British
Mr. Shi Wai Lim William (施偉廉)	Flat 4D, Block 2 Wah Yee Court Wah Yuen Chuen Kwai Chung New Territories Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Joint Bookrunners	Future Land Resources Securities Limited 6th Floor Winbase Centre No. 208 Queen's Road Central Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)</i> South China Securities Limited 28th Floor Bank of China Tower 1 Garden Road Central Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)</i>
Joint Lead Managers	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i> Future Land Resources Securities Limited 6th Floor Winbase Centre No. 208 Queen's Road Central Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)</i>

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

South China Securities Limited

28th Floor

Bank of China Tower

1 Garden Road

Central

Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)

Legal advisers to our Company

As to Hong Kong law:

CFN Lawyers in association with Broad and Bright

Room 4101-04, 41/F

Sun Hung Kai Centre

30 Harbour Road

Wan Chai

Hong Kong

(Solicitors of Hong Kong SAR)

As to Cayman Islands law:

Appleby

2206-19 Jardine House

1 Connaught Place

Central

Hong Kong

(Legal advisers as to Cayman Islands law)

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

As to Hong Kong law:

T. S. Chu Lawyers

Room 1003, 10/F

Jubilee Centre

46 Gloucester Road

Wan Chai

Hong Kong

(Solicitors of Hong Kong SAR)

**Auditor and reporting
accountants**

Deloitte Touche Tohmatsu

35/F

One Pacific Place

88 Queensway

Hong Kong

(Certified Public Accountants)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Market research consultant

Ipsos Limited
22nd Floor, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Receiving bank

Standard Chartered Bank (Hong Kong) Limited
15/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Vendor

Simple Joy Investments Limited
P.O. Box 957
Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

CORPORATE INFORMATION

Registered Office in the Cayman Islands	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 1702-03 Stelux House 698 Prince Edward Road East San Po Kong Kowloon Hong Kong
Company secretary	Ms. Tam Kwai Heung (譚桂香) (CPA) Flat 1106, Block E Galaxia Diamond Hill Wong Tai Sin Kowloon Hong Kong
Authorised representatives	Mr. Lee Kim Ming (李劍明) Flat 2A, 9/F Mount One No. 39 Luen Hing Street Fanling New Territories Hong Kong Ms. Tam Kwai Heung (譚桂香) (CPA) Flat 1106, Block E Galaxia Diamond Hill Wong Tai Sin Kowloon Hong Kong
Audit committee	Mr. Ho Chun Chung Patrick (何振琮) (Chairman) Mr. Chong Kam Fung (莊金峰) Mr. Chung Yan Yee Andrew (鍾欣餘) Mr. Shi Wai Lim William (施偉廉)
Remuneration committee	Mr. Chung Yan Yee Andrew (鍾欣餘) (Chairman) Mr. Chong Kam Fung (莊金峰) Mr. Ho Chun Chung Patrick (何振琮) Mr. Shi Wai Lim William (施偉廉) Mr. Lee Kim Ming (李劍明)

CORPORATE INFORMATION

Nomination committee	Mr. Lee Kim Ming (李劍明) (<i>Chairman</i>) Mr. Chong Kam Fung (莊金峰) Mr. Chung Yan Yee Andrew (鍾欣餘) Mr. Ho Chun Chung Patrick (何振琮) Mr. Shi Wai Lim William (施偉廉)
Compliance adviser	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Dah Sing Bank, Limited Shop B, G/F, Everbright Centre 108 Gloucester Road Hong Kong Bank of Communications Co., Ltd. Suite 8-12, L38 Office Tower Langham Place 8 Argyle Street Mongkok Kowloon Hong Kong The Hongkong and Shanghai Banking Corporation Limited 21/F., Crocodile Center 79 Hoi Yuen Rd Kwun Tong Kowloon Hong Kong

CORPORATE INFORMATION

Company's website

www.lingyui.com.hk

(the information contained in this website does not form part of this prospectus)

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Ipsos and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Ipsos and set out in this section has not been independently verified by our Group, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We commissioned Ipsos, an independent professional market research company, to assess the industry development trends, market demand and competitive landscape of foundation and site formation industry, especially subcontracting works, in Hong Kong for the period from 2012 to 2021, at a fee of HK\$318,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with Share Offer in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs over 16,500 personnel worldwide across 88 countries.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering through: (i) desktop research including Government statistics, journals and financial reports; and (ii) primary research, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as the Government officials, developers, main contractors, subcontractors, architects, quantity surveyors, industry experts and associations in the construction industry in Hong Kong. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, information gathered can be cross-referenced to ensure accuracy. Nevertheless, we cannot assure you regarding the accuracy or completeness of the factors, forecasts and statistics in this prospectus obtained from sources such as Government publications, market data providers and the Ipsos Report.

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Ipsos Report. Our Directors confirm that, after taking reasonable care, there has been no adverse change in the market information since the date of Ipsos Report up to the Latest Practicable Date which may qualify, contradict or have a material impact on the information in this section.

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ASSUMPTIONS USED IN THE IPSOS REPORT

The following assumptions were adopted in the preparation of the Ipsos Report:

- It is assumed that the global economy remains in steady growth across the period from 2017 to 2021; and
- the external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the foundation and site formation industry in Hong Kong from 2017 to 2021.

MACROECONOMIC ENVIRONMENT IN HONG KONG

GDP and GDP growth rate in Hong Kong

GDP grew at a CAGR of 5.1% during the 2012-2016 period, from HK\$2,037.1 billion to HK\$2,489.1 billion. Between 2015 and 2016, the GDP experienced a slower growth rate of 2.4% and 1.9%, respectively due to the slackening of external trade and a softening economy in China. Over 2017 to 2021, the GDP is expected to increase from HK\$2,589.2 billion to HK\$3,109.5 billion and the GDP growth rate is expected to bounce back from 2.4% in 2017 and remain 2.5% to 3.1% in 2018 to 2021 as supported by the expected growth in export value due to the global economic recovery.

Gross fixed capital formation value in Hong Kong

The gross fixed capital formation value in Hong Kong experienced a gentle increase from HK\$517.4 billion in 2012 to about HK\$536.2 billion in 2016, at a CAGR of approximately 0.9%. The gentle growth in the gross fixed capital formation is attributed to the large amount of construction projects in both general building and civil engineering, particularly in infrastructure projects such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the third runway at the Hong Kong International Airport which required significant fixed capital investment. The on-going and upcoming construction projects in both public and private sectors are expected to drive the growth of gross fixed capital formation in Hong Kong.

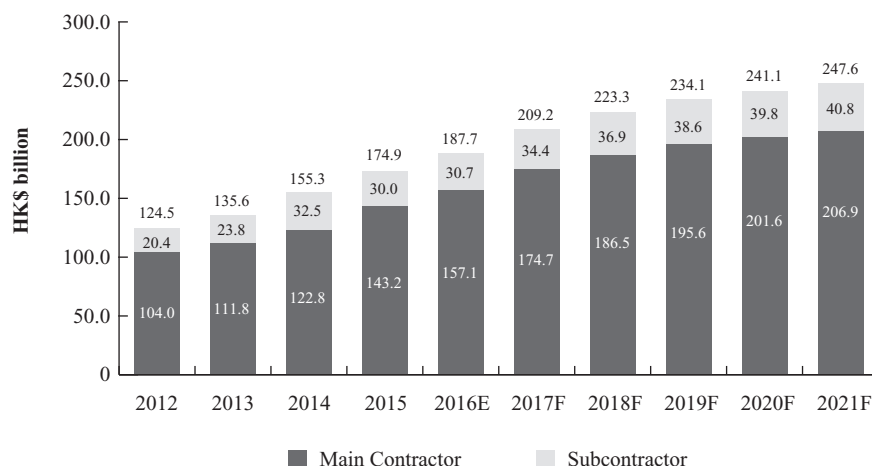
MARKET OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

Gross output value of construction works in Hong Kong

The construction industry in Hong Kong accounted for about 3.4% to 4.6% of the total GDP from 2011 to 2015. The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong surged from approximately HK\$124.4 billion in 2012 to approximately HK\$187.8 billion in 2016, representing a CAGR of approximately 10.8%. The gross output value of construction works is expected to increase from about HK\$209.1 billion in 2017 to HK\$247.7 billion in 2021.

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The following diagram illustrates the actual and expected gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2012 to 2016 and from 2017 to 2021, respectively.



Note: E refers to preliminary data which is subject to change

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

The gross output value of the construction works performed by subcontractors experienced a growth at a CAGR of about 10.8% from 2012 to 2016. The increase was mainly due to the public construction projects including the Ten Major Infrastructure Projects and programs to increase the supply of public housing, as well as the growth in the number of residential and commercial buildings under construction. The total gross output value of construction works performed by subcontractors is expected to grow stably at the same growth pace as that of overall construction works.

Residential housing and commercial development in Hong Kong

The total number of private residential housing units completed in Hong Kong is around 12,606 units in 2015 and is estimated to reach to around 14,594 units in 2016. The total floor area of private commercial premises was around 68,300 m² in 2015 and around 123,100 m² in 2016. According to the 2017-18 Budget, the government has continuously made efforts to increase the land for residential use as well as commercial use. For public housing the government has adopted the public housing supply target of 280,000 units for the 10-year period from 2016-17 to 2025-26. For private housing, it is estimated that private housing supply in 2017-18 has a capacity to produce over 32,000 units as supported by the 2017-18 Land Sale Programme, the railway property development projects and other private development and redevelopment projects. Additionally, the demand for more office space will subsequently increase the demand for more commercial space in Hong Kong. According to 2016 Policy Address, the Hong Kong Government will increase the land supply for economic use. Various projects, such as Kwu Tung North and Fanling North New Development Areas, Tung Chung New Town Extension, Hung Shui Kiu New Development

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Areas and Yuen Long South Development will provide over 7.8 million m² of floor area for commercial or industrial uses. The continual efforts the Government put into residential and commercial land use will support the construction industry in Hong Kong.

Total investment value in construction projects in Hong Kong

The total investment value in construction projects increased from HK\$238.7 billion in 2012 to HK\$334.0 billion in 2015 at a CAGR of 11.8% owing to growing costs of construction works. Higher costs of construction works such as growing costs of raw materials, labour and contract fee to subcontractors trigger additional charges in construction projects. For instance, the hourly wage of construction workers grew at a CAGR of approximately 8.8% between 2012 and 2016.

Major participants in the construction industry in Hong Kong

In Hong Kong, the land owners, property developers, or Government departments are the major customers of the main contractors in the construction industry. Land owners or property developers win auctions for the public land sites in order to obtain land ownership, usually for building projects including residential, commercial, and industrial projects. These projects can be divided by the nature of construction activity, including site formation, piling, demolition, erection of architectural superstructure, and structural alteration. These main contractors are majority in charge of the entire construction projects, and then outsource parts of the construction works to different subcontractors in accordance with their expertise and specialist knowledge. Accordingly, multilayer subcontracting is a common practice in Hong Kong's construction industry.

Instead of subcontracting different construction works to different subcontractors, some of the main contractors may also subcontract a material part of a tender to a single subcontractor equipped with necessary skill sets and project management capability, who then act as the "principal subcontractor" of the project. The principal subcontractor can also further subcontract their construction works to other subcontractors who are at lower tiers in accordance with their needs and specialties. Such principal subcontractor is usually responsible for supporting and assisting the main contractors in managing the project, including the supervision of site works carried out by own direct labours and lower tier subcontractors, and the overall planning and project management of work schedules.

Types of contract in the construction industry in Hong Kong

Contracts in the construction industry can be generally divided into two types, namely (i) build-only contract; and (ii) design and build contract. Build-only contract refers to a type of contract that the construction project owner, appointed consultants and architects provide strict design to the contractors to follow. Design and build contract refers to a type of contract that the construction project requires both design and build input from the contractors where the contractors are also responsible to manage and engage with the appointed architects to liaise on detailed design work. Contractors who use to tender the projects under design and build contracts usually possess a dedicated team who has

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knowledge on architecture and structural engineering. Some of the contractors may also subcontract the design part to third-party consultants or architects to fulfill the requirement needed for design and build contracts.

Number of registered construction workers in Hong Kong

The number of registered construction workers in Hong Kong under the Construction industry Council rise from approximately 305,400 in 2012 to approximately 425,400 in 2016, at a CAGR of 8.6%. The increase was majorly driven by the growth of average wage of construction workers in Hong Kong. In the past few years, construction industry has been facing labour shortage caused by old workers retirement and increasing demand of manpower. Increasing wage acted as an incentive for attracting new entrants. The Hong Kong Government has also contributed measures to increase the number of construction workers for relieving the labour shortage pressure. By rebranding the industry and providing accredited training courses for potential new entrants, the number of registered construction workers was successfully boosted. As the average wage of construction workers is expected to grow, it will keep driving the growth of construction workers numbers in the short future.

OVERVIEW OF THE FOUNDATION AND SITE FORMATION INDUSTRY IN HONG KONG

Foundation works generally include piling, pile cap, excavation and lateral support (ELS) works. Site formation works include the excavations on sloping land, landslip preventive work and landslip remedial work. The foundation works and site formation works usually take place at construction sites and are needed before the construction of buildings, structures and facilities.

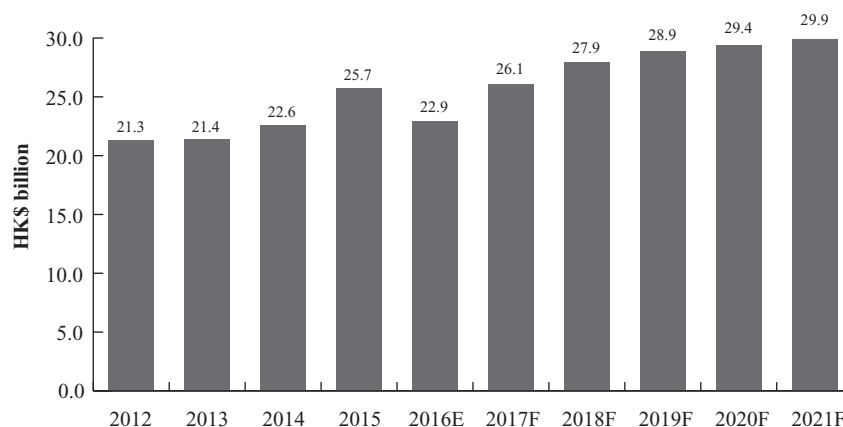
The demand for foundation and site formation works depends largely on the demand for construction works, as common foundation works such as drilling and piling are usually conducted only after a construction project starts. As such, the revenue growth in the foundation and site formation industry is closely related to the number of project starts. During 2012 to 2016, affected by the filibuster in the legislative council which is responsible for the approval of public construction projects, revenue of the foundation and site formation industry fluctuated throughout the period. In 2016, the revenue of Hong Kong's foundation and site formation industry accounted for about 12.2% of the gross output value performed by main contractors and subcontractors at local construction sites, suggesting the importance of foundation and site formation works in a construction project.

As mentioned above, multilayer subcontracting is a common practice in Hong Kong's construction industry. It is therefore common for foundation main contractors to subcontract their works to foundation subcontractors.

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Revenue of foundation and site formation industry in Hong Kong

The chart below shows the gross output value (or revenue) of foundation and site formation industry in Hong Kong between 2012 and 2016 and the forecast from 2017 and 2021:



Sources: 2017 Policy address of HK Government; Census and Statistics Department, HKSAR; Ipsos research and analysis

The gross output value of foundation and site formation works grew from about HK\$21.3 billion in 2012 to about HK\$22.9 billion in 2016, at a CAGR of 1.8%, owing to the rapid development of the construction industry. From 2015 to 2016, the fluctuation is due to the filibuster in the legislative council and the limited benefit from the recent major infrastructure projects. Piling works are mainly required by construction projects consist of superstructures and they are always in the early stage of a construction project. However, infrastructure commenced recently are mostly railway projects which required fewer foundation and site formation works and consist of fewer superstructures relatively. During the forecast period from 2017 to 2021, the total gross output value of foundation works is expected to see a higher CAGR of approximately 3.5% as supported by the government's initiatives in housing development and the 10-year Hospital Development Plan, which has large number of superstructure construction projects. Moreover, in the 2017 Policy address of the HK Government, the private sector is expected to produce about 94,000 residential units by 2021. Thus, the continuous investment in property development is expected to drive the total gross output value of foundation and site formation works in Hong Kong during the coming years. The gross output value of foundation and site formation subcontracting industry is expected to grow at a similar pace with the overall foundation and site formation industry, due to the common practice of multilayer subcontracting in the industry.

Cost of foundation contracting works

Labour costs and costs of materials, including steel reinforcement and cement, are the major cost components for foundation works in Hong Kong.

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Average daily wage of construction workers in the foundation contracting industry in Hong Kong

From 2012 to 2016, the average foundation worker wage per day has increased at a CAGR of 9.9% from HK\$917.7 in 2012 to HK\$1,339.6 in 2016. The rise is partly due to the labour shortage, a result of the decreasing number of new construction workers as well as an ageing workforce where skilled workers approach retirement and leave the industry. Although the wage increase has attracted the younger workforce and the number of construction workers under age 30 is gradually increasing, the construction labour shortage situation is still severe. Thus it is expected that the daily wage of foundation contracting workers in Hong Kong will continue to rise over the forecast period.

Price trend of key materials used in the foundation subcontracting works in Hong Kong

The following table sets out the historical price trend of steel reinforcements, H-piles and Portland cement in Hong Kong:

Materials	2012	2013	2014	2015	2016
Steel reinforcements (HK\$ per tonne)	5,921.6	5,282.2	4,775.2	3,723.6	3,672.6
H-piles (HK\$ per kilogram)	5.9	5.5	5.1	4.3	3.6
Portland cement (HK\$ per tonne)	690.3	698.5	720.4	739.2	714.7

The average wholesale price of steel reinforcements dropped from about HK\$5,921.6 per tonne in 2012 to about HK\$3,672.6 per tonne in 2016, at a CAGR of -11.3%. The average wholesale price of H-piles in Hong Kong decreased from around HK\$5.9 per kilogram in 2012 to HK\$3.6 per kilogram in 2016, at a CAGR of about -11.5%. The decrease in the average wholesale price for steel reinforcements and H-piles was attributed to the decrease in downstream industries' demand for steel production and H-piles during this period due to difficulty in financing caused by the deteriorating European economy and China's monetary tightening policies, and the global drop in demand for new construction work, paired with oversupply of steel.

The average wholesale price of Portland cement in Hong Kong increased from about HK\$690.3 per tonne in 2012 to about HK\$714.7 per tonne in 2016, at a CAGR of about 0.9%. The price has been slowly increasing at a relatively stable rate between 2012 and 2015, and dropped in 2016. Such decrease was attributable to the falling prices offered by the cement companies in mainland China due to high inventory ratio combined with the decreased demand of cement on infrastructure and real estate construction.

Concentration of customers in the subcontracting segment

The overall construction industry is characterized by its large numbers of subcontractors and sub-subcontractors. In the foundation subcontracting segments, the majority are small to medium sized companies, who may possess limited resources, both in

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specialized machinery, construction materials and skilled manpower. Foundation and site formation projects are generally large scale and labour-intensive. It is common for small to medium sized subcontractors or sub-subcontractors to focus on a few projects concurrently, due to limited specialized resources, which restrict the scale and complexity of projects they can undertake. As a result, many players focus on a few projects and have a limited customer base, which consequently leads to the industry norm of high customer concentration.

COMPETITIVE LANDSCAPE OF THE FOUNDATION INDUSTRY IN HONG KONG

Industry structure

According to the Ipsos Report, in December 2017, there were 49 contractors registered on the Development Bureau's List of Approved Suppliers of Materials and Specialist Contractors for Public Works (land piling category). Regarding the private projects, there were 153 companies registered under Building Department's list of Specialist Contractors with sub-register of the foundation works category. Furthermore, there were 329 companies registered as subcontractor in the Construction Industry Council under foundation and piling trade code in December 2017. Based on the above registration numbers, it was estimated that there were an aggregate of over 400 foundation main contractors and subcontractors in Hong Kong as of December 2017. The foundation and site formation industry in Hong Kong is fairly consolidated. The top five players are all main contractors, with revenue each ranged from approximately HK\$957.0 million to HK\$2,958.4 million and in aggregate had a market share of approximately 46.4% for 2016 in terms of revenue. As for the foundation subcontractors, the top five foundation subcontractors had revenue each ranged from approximately HK\$268.0 million to HK\$626.5 million and in aggregate had a market share of approximately 11.0% for 2016 in terms of revenue.

Positioning of our Group in Hong Kong

Our Group, as one of the subcontractors in the foundation and site formation industry, recorded approximately HK\$120.5 million of revenue for the year ended 31 March 2016, which accounted for approximately 0.5% of the total market share of the foundation and site formation industry in Hong Kong for 2016 in terms of revenue according to the Ipsos Report. Due to the lack of sufficient publicly available information, our ranking in the foundation and site formation industry in Hong Kong was not provided in the Ipsos Report.

Factors of competition

Established reliable working relationships with customers, subcontractors, raw material suppliers and workers

A foundation contractor is considered competitive if it can maintain good relationships with its customers, subcontractors and raw material suppliers. For instance, main contractors tend to outsource their projects to subcontractors that have proven high quality work and on time project completion track records, especially the subcontractors whom they have previously collaborated with. Maintaining long term business relationships with raw material suppliers and subcontractors provide a foundation contractor more flexibility in negotiating

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prices, allocating resources and executing projects compared with their competitors. In addition, good employment relationships and wide networks are also important to retain skilled in-house labour.

Experience in foundation works project management and technical expertise

The number of projects requiring sophisticated technology and engineering designs has been rising in the foundation industry in Hong Kong. With the growing size and complexity of construction projects, foundation contractors with advanced technical capabilities and can cater for “design and build” projects would be more competitive in Hong Kong’s foundation industry. Technical expertise and experience in foundation project management are also important to meet project timeline, quality and budget. With an experienced project management team having good technical understanding of foundation works, a contractor is able to address different issues that may arise during project execution, and foresee potential problems during the project. The contractor’s experience will determine its capability of effectively and efficiently source and allocate resources including workers, raw materials, specialized machineries to complete works on time and within a competitive budget. Foundation contractors with more flexibility in sourcing and allocating resources are more capable of meeting the project timeline and requirements and are more likely to win foundation tenders.

Industry reputation and proven track record

Foundation contractors with a proven track record have better industry reputation and are more likely to win project tenders based on their proven reliability and experience in completing foundation works. In addition to the good track record, foundation contractors with proven safety records are also considered more competitive than their competitors as they would give confidence to their customers that they have a lower possibility of facing accidents and fatalities.

Competitive project pricing

Foundation contractors who are able to offer lower price for their services will generally be more competitive to the clients, which may help a foundation contractor to attract more customers. In addition, competitive pricing strategies differentiate a foundation contractor from its competitors, enhancing the market position of the contractor. The foundation subcontracting industry was very competitive in the recent years, with companies offering discounts for tendered projects to better compete with other subcontractors.

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Entry barriers for the foundation subcontracting industry in Hong Kong

The foundation industry in Hong Kong has moderately high entry barriers, including:

High capital requirement for foundation contractors

Foundation contractors require large amount of initial capital to purchase or rent specialised machineries and fulfill capital requirement for registration under different government departments. Besides, foundation contractors also need capital to pay workers and subcontractors. Hence, the new entrants in the industry may face difficulties in surviving if they do not have sufficient amount of initial capital.

Technical capability requirement and practical industry experience

The foundation industry in Hong Kong has shown a trend of technical capability requirement in recent years. The number of projects requiring sophisticated technology has been rising. With the growing size and complexity of projects, for new entrants of the foundation industry in Hong Kong, the lack of advanced technical capabilities would be one of its entry barriers. In addition, as customers award tenders based on contractors' track records and experiences to assess their abilities to meet technical, safety, time, and budget requirements of a project, new entrants with insufficient project management and work experience will be difficult to win a tender.

Market drivers of the foundation subcontracting industry in Hong Kong

Government's initiatives to increase the supply of residential properties

To cope with the rising demand for residential properties and stabilise the overheated properties market, the Hong Kong Government initiated the Long Term Housing Strategy to increase the supply of public housing units and residential land for private properties. According to the 2017-18 Budget, the government has continuously made efforts to increase the land for residential use as well as commercial use. For public housing the government has adopted the public housing supply target of 280,000 units for the 10-year period from 2016-17 to 2025-26. The Long Term Housing Strategy initiated by the government covers not only the public sector, but also set a target for the supply of private housing units at 180,000 units from 2017-18 to 2026-27. The government has been supporting the supply of private housing units by increasing land supplies. According to the Land Sale Programme issued by the Lands Department (April 2017 to March 2018), it is estimated that private housing land supply in the current financial year of 2017 can result in over 19,000 units, which will exceed the annual target for the third consecutive year. Given the robust first-hand property market, the increasing land supply would provide incentives for private developers to construct more residential buildings. The government's initiative to increase the housing supply will fuel the growth of the foundation industry in the future.

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Large scale infrastructure projects

Since the announcement of the “Ten Major Infrastructure Projects” in 2007 Policy Address, the growth of the foundation industry has been supported by the commencement of these large scale infrastructure projects. In addition to the “Ten Major Infrastructure Projects”, the commencement and implementation of other large scale infrastructure projects such as the third runway system at Hong Kong International Airport are expected to continue to drive the growth of the foundation industry in Hong Kong. Certain infrastructure projects, such as the “Kai Tak Development area” and “North East New Territories (NENT), New Development Areas (NDAs) and Hung Shui Kiu NDA” are huge development projects with a final aim of turning those areas into a mix of community, housing, business, tourism and infrastructural uses, which will involve further private sector developments around the areas. For instance, after the basic infrastructure works (i.e., water works, road and bridge works) are completed in Kai Tak Development Areas, the government has Land Sale Programme to sell lands to the private sector for residential, commercial, office, and hotel uses. Both the public and private sectors in the foundation and site formation industry are expected to be benefited and stimulated by the development projects.

Threats to the foundation subcontracting industry in Hong Kong

Lack of skillful labour due to old age experience labour exit the industry

The Hong Kong construction industry, including the foundation industry, have been facing the problem of labour shortage and aging workforce. According to the Construction Industry Council, about 43.1% of the 376,000 registered workers who have been in the construction industry aged over 50 in March 2016. With the lack of sufficient construction workers, especially those with experience and skills, the probability of project delays will increase while the quality of works may decrease, potentially posing impacts to the development of the foundation industry.

Increasing operation cost due to labour shortage

Foundation workers, such as concreters, bar bender and fixers, drain layers and levelers, are considered work trades in shortage under the Construction Industry Council. Lack of labour supply and increasing demand of foundation workers in Hong Kong cause the average daily wage of construction workers engaging in the industry increase. Such increase in labour costs have consistently pushed up the construction costs, reducing the profit margin of foundation contractors and hindering the development of the industry.

Our competitive strengths

Please refer to the section headed “Business – Our competitive strengths” for detailed discussion.

REGULATORY OVERVIEW

This section sets out summaries of the relevant laws and regulations which are relevant to our business in Hong Kong.

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

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

The Construction Workers Registration Ordinance provides for, among other things, the registration of construction workers and the regulation of construction workers who personally carry out construction work. Under the Construction Workers Registration Ordinance, a person shall not personally carry out construction work on a construction site unless the person is a registered construction worker of the Registrar of Construction Workers. Likewise, subcontractors, among others, of the construction site are required to employ only registered construction workers.

Under the Construction Workers Registration Ordinance, a subcontractor, in relation to a principal contractor, is defined as any person who enters into a contract with another person (whether or not the principal contractor) to undertake all or any part of the construction work that the principal contractor has undertaken). Our Group is considered a subcontractor of our projects and is required to employ only registered construction workers to personally carry out construction works for our projects.

Any person who employs a person who is not a registered construction worker to personally carry out construction work on a construction site shall be guilty of an offence and shall be liable on conviction to a maximum fine of HK\$50,000.

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

Stage 1 of the “designated workers for designated skills” provision, of which “designated works” will include construction, re-construction, addition, alternation and building services works, shall be implemented with immediate effect from 1 April 2017. Upon implementation of Stage 1 of the “designated workers for designated skills” provision pursuant to the Construction Workers Registration Ordinance, registered skilled and semi-skilled workers for designated trade divisions shall be included as registered construction workers of the Register of Construction Workers, and accordingly, subcontractors of construction sites are required to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out construction works on construction sites relating to those trade divisions independently.

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

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

Industrial undertakings, which include construction work, are subject to the Factories and Industrial Undertakings Ordinance, and any person or body corporate having the management or control of the business carried on in an industrial undertaking is required to comply with the Factories and Industrial Undertakings Ordinance and provide for the safety and health protection to workers in the industrial undertaking.

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

A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and could be held liable to a fine of HK\$500,000 and to imprisonment for 6 months. As our operations encompass the management or control of industrial undertakings for the time being of our projects, our Group may be considered a proprietor under the Factories and Industrial Undertakings Ordinance and as such any breach of our duties under the Factories and Industrial Undertakings Ordinance may constitute an offence and result in our Group being liable to a fine of HK\$500,000.

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

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

REGULATORY OVERVIEW

engaging in construction work not to employ at the undertaking a relevant person who has not been issued a relevant Green Card or whose relevant Green Card has expired. A Green Card shall expire between 1 to 3 years after the day on which the certificate was issued.

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

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

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

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

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

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

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

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

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

Our Group has leased several properties and is considered to be the occupier of such properties under the Occupiers Liability Ordinance. As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person or business occupying or having control of the premises on which injury resulting to persons or damage has been caused to goods or other property lawfully on the premises. For details of the properties we leased, please refer to the section headed “Business – Our properties”.

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

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

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

Under section 38A of the Immigration Ordinance, a construction site controller should prevent (i) illegal immigrants from being on the construction site; and (ii) persons who are not lawfully employable, as defined under the Immigration Ordinance, from taking employment on the construction site.

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

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

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

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

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

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited (i) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (ii) to the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due). An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5.

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be; or (ii) deduct by way of setoff the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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

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

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

According to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to 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.

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

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 and to imprisonment for 2 years.

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

Employers are required to enroll 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\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1

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June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

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

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

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

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

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

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

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

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

CONTRACTOR LICENSING REGIME

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

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

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

- (i) if it is a corporation, the adequacy of its management structure;
- (ii) the appropriate experience and qualifications of its personnel;
- (iii) its ability to have access to plants and resources; and
- (iv) 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.

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

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as the authorised signatory (the “**Authorised Signatory**”);

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

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

For registration as a registered specialist contractor, the applicant must satisfy the Buildings Department that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties.

The Buildings Department imposes specific requirements on the directors of a contractor and the person appointed by the contractor to act for it for the purposes of the Buildings Ordinance.

Subsequent to the Track Record Period, Ming Lee Foundation is registered as a specialist contractor with the Buildings Department in the categories of site formation works and foundation works, and the current registration will expire on 1 September 2020 and 8 September 2020, respectively. For details, please also refer to the section headed “Business – Major qualifications, licenses and certifications” in this prospectus.

SUBCONTRACTOR REGISTRATION SCHEME

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

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

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

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

Should the subcontractors further sub-contract any part of the public sector works subcontracted to them involving trades available under the Primary Register of the Subcontractor Registration Scheme, the contractor shall ensure that all such subcontractors are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme.

Ming Lee Foundation is registered under the Subcontractors Registration Scheme of the Construction Industry Council in the structural and civil works trade group and the supporting services trade group. Our current registration under the Subcontractors Registration Scheme of the Construction Industry Council will expire on 23 May 2019.

THE PROPOSED SECURITY OF PAYMENT LEGISLATION FOR THE CONSTRUCTION INDUSTRY

The Development Bureau launched the 3-month public consultation on 1 June 2015 for the proposed Security of Payment Legislation for the construction industry that aims to improve payment terms and payment delays, encourage rapid dispute resolution and increase cash flow of operators in the construction industry to the Legislative Council in 2017.

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

Under the current payment practices along the construction supply chain, many contracts include “pay when paid” or “pay when certified” clauses, where payment is conditional on the payer receiving payment from a third party or payment is contingent or conditional on the operation of another contract or agreement. This often resulted in actual durations taken for certification and settlement of progress payments and final account payments being longer than the due dates specified in contracts. Under the proposed legislation, parties undertaking construction activities or providing related services, materials

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and plan shall be entitled to claim a progress payment based on the value of their work, services or supply shall be based on any contract price or rates or other pricing agreed by the parties to the extent it can be reasonably applied or otherwise having regard to market rates or prices prevailing in the industry at the time the contract was entered into.

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

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

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

All contracts and sub-contracts, whether in written or oral form, for (i) government works, under which the Government and specified public entities procure construction and maintenance activities or related services, materials or plant; and (ii) private sector works, under which private entities procure construction activities for new buildings (as defined in the Buildings Ordinance) with a main contract value of over HK\$5 million or procure related services, material or plant or supply-only contracts with a contract value of over HK\$500,000, will be governed by the Security of Payment Legislation. Where the main contract is covered by the Security of Payment Legislations, (all sub-contracts irrespective of tier) will be covered by the Security of Payment Legislation regardless of value. The legislation will not apply to private sector construction works relating to new buildings with a main contract value of less than HK\$5 million or related services, material or plant supply-only contracts with a contract value of less than HK\$500,000.

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

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

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LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

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

Section 16B of the Waste Disposal Ordinance strictly prohibits depositing construction waste disposal on private lots, unless (i) the total area of the lot on which the construction waste has been deposited does not exceed 20 sq.m.; or (ii) the sole or all of the owners of the private lot has given valid permission for the depositing of construction waste on the lot. Such permission must be in the specified form under section 16C and must bear an acknowledgement by the Director of the Environmental Protection Department. Such acknowledgement must be submitted to the Environmental Protection Department at least 21 days before the intended date on which the depositing activity is to commence.

Any person who, except under and in accordance with an authorisation, does, causes or allows another person to do anything for which such authorisation is required, commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

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

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

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

Prior notification must be given to the Environmental Protection Department by us as a waste producer of the chemical waste, and the disposal must be in accordance with the directions issued by the Environmental Protection Department specifying the appropriate

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disposal facility for the waste and the date and time when the delivery of such waste should be made. Any person authorised to be the applicant on our behalf as a body corporate who fails to register as a chemical waste producer commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

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

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

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong)

The Pneumoconiosis and Mesothelioma (Compensation) Ordinance establishes the Pneumoconiosis Compensation Fund, which consists of monies received from the government and the relevant levies, surcharges and penalties received from contractors in relation to pneumoconiosis and mesothelioma. The Pneumoconiosis Compensation Fund is administered by the Pneumoconiosis Compensation Fund Board, a statutory body responsible for assessing and collecting the imposed levies and compensating persons suffering from pneumoconiosis and/or mesothelioma and/or family members of persons who died of pneumoconiosis and/or mesothelioma.

Under the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, we are required to pay a levy for any construction operations carried out by us in Hong Kong with a total value exceeding HK\$1 million, at a rate of 0.15% of the total value of the construction operations concerned.

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

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

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

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

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

Under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong), we are responsible, as a contractor for a construction site where notifiable work is proposed to be carried out, for giving notice to the Environmental Protection Department before the commencement of the work. Example of notifiable works include (i) site formation; (ii) reclamation; (iii) demolition of a building; (iv) construction of the foundation of a building; or (v) construction of the superstructure of a building.

It is the responsibility of the contractor for a construction site where a notifiable work is being carried out, to ensure that the work is carried out in accordance with the specified dust control requirements as under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong). A contractor under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong) is defined as any person or firm engaged in carrying out construction work by way of trade or business, either on his own account or pursuant to a contract or arrangement entered into with another person or firm.

Any contractor who contravenes the notification requirement under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong) commits an offence and is liable on conviction to a fine of HK\$25,000 for the first offence and to a fine of HK\$50,000 for a second or subsequent offence. Any contractor who contravenes the dust control requirements under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong) commits an offence and is liable on conviction to a fine of HK\$50,000 for the first offence and to a fine of HK\$100,000 and to imprisonment for 3 months for a second or subsequent offence, and in addition, if the offence is continuing, to a fine of HK\$10,000 for each day during which the offence continues.

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

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

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

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

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

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (“NRMM”), including non-road vehicles and regulated machines that are subject to the NRMM Regulation (the “**Regulated Machines**”).

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

Under section 5 of the NRMM Regulation, any person who uses causes to be used a Regulated Machine in specified activities or locations without (i) exemption or the EPD’s approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

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

As at the Latest Practicable Date, our Group has obtained approval or exemption for all Regulated Machines in accordance with the relevant requirement.

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

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

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

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

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

The Water Pollution Control Ordinance regulates, among other things, the discharge of wastewater generated from construction activities into sewers or elsewhere in Hong Kong. As our operations generate wastewater, our Group is required to observe and comply with the Water Pollution Control Ordinance.

REGULATORY OVERVIEW

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

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

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

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

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

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

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

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

REGULATORY OVERVIEW

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

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

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

The Environmental Impact Assessment Ordinance seeks to minimise and control the adverse impact that certain projects in Hong Kong, such as large-scale industrial activities, may have on the environment, through an environmental impact assessment process and environmental permit system prior to commencement of the operations.

Under the Environmental Impact Assessment Ordinance, designated projects must be (i) exempted by the Environmental Protection Department; or (ii) approved and an environmental permit has been issued by the Environmental Protection Department before commencement of the project. For the approval of a designated project which will cause limited impacts on the environment, an application for an environmental permit may be made directly with the Environmental Protection Department. For other projects, an application for an environmental permit made to the Environmental Protection Department must be accompanied with an environmental impact assessment report.

Any person who constructs or operates a designated project or decommissions a designated project without an environmental permit for the project or contrary to the conditions, if any, set out in the permit, could be held liable (i) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (iii) on a first summary conviction to a fine at HK\$100,000 and to imprisonment for 6 months; (iv) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for 1 year, and in any case where the offence is of a continuing nature, a fine of HK\$10,000 for each day on which the offence has continued.

OTHERS

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

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

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conducts include (i) fixing, maintaining,

REGULATORY OVERVIEW

increasing or controlling the price of the supply of goods or services; (ii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iii) bid-rigging practices.

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

HISTORY, DEVELOPMENT AND REORGANISATION

THE CORPORATE HISTORY

The history of our Group's business can be traced back to 2000 when Mr. Lee and Ms. Yeung (the spouse of Mr. Lee), established Ming Lee Engineering to provide ELS and site formation services in Hong Kong. In line with the aim of expanding its scope of business from ELS and site formation to foundation works and in order to capture a wider range of business opportunities, Mr. Lee set up Ming Lee Foundation in 2007 for better positioning in the foundation industry. Since then Ming Lee Foundation has gradually gathered industry experience and built up reputation. Mr. Chan, our executive Director, joined our Group in 2014 and contributed his expertise in project management and business operations.

With the leadership and contributions of Mr. Lee and Mr. Chan and other members of the management, Our Group has become a reputable company with proven track records focusing on ELS and foundation services in Hong Kong.

IMPORTANT BUSINESS MILESTONES

The following illustrates certain key milestone and achievements in the business development of our Group:

Year	Event
2000	Ming Lee Engineering commenced its operation of undertaking ELS and site formation works in Hong Kong
2007	Ming Lee Foundation was set up with strategic focus on the provision of foundation works, while Ming Lee Engineering gradually shift its focus to the provision of ancillary services such as earthworks and drainage works
2010	Obtained the first contract with contract sum of over HK\$10 million in relation to earthworks, drainage and shoring works in The Chinese University of Hong Kong
2011	Expanded our scope of business to include pile construction and pile cap works via Ming Lee Foundation
2013	Obtained the first contract with contract sum of over HK\$20 million in relation to foundation and ELS works in TMTL436, Siu Lam, Tuen Mun
2014	Ming Lee Foundation obtained the first contract with contract sum of over HK\$70 million in relation to foundation, ELS, pile cap and basement works in TMTL 498, Wu On Street, Tuen Mun

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
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Ming Lee Foundation was accredited with the following standards in relation to design and construction of ELS, foundation and pile caps works:

- ISO 9001:2008 Quality Management System Standard
- ISO 14001:2004 Environmental Management System Standard
- OHSAS 18001:2007 Occupational Health and Safety Management System Standard

2017	Ming Lee Foundation was registered as a registered subcontractor under the Subcontractors Registration Scheme of the Construction Industry Council and a registered specialist contractor with the Buildings Department in the categories of foundation works and site formation works
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OUR GROUP

Our Group has two direct subsidiaries incorporated in the BVI and two indirect subsidiaries incorporated in Hong Kong. Details of the members of our Group and their respective corporate history are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 January 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 24 January 2017, one fully-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Simple Joy on 24 January 2017.

As part of the Reorganisation, on 4 December 2017, our Company further allotted and issued 9,134 and 865 Shares, credited as fully-paid, to Simple Joy and Simply Marvel, respectively; in consideration for the acquisition of the entire issued share capital of Smart Sage from Simple Joy and Southern Sun from Simple Joy and Simply Marvel, respectively. Immediately following the above share allotment, our Company was wholly owned by Simple Joy and Simply Marvel.

Immediately after completion of the Reorganisation, our Company became the holding company of our Group with its business being conducted through the principal operating subsidiaries of our Group, namely Ming Lee Engineering and Ming Lee Foundation.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR SUBSIDIARIES

Ming Lee Engineering

Ming Lee Engineering was incorporated in Hong Kong with limited liability on 1 November 2000 with an issued share capital of HK\$2 divided into two (2) shares of HK\$1 each. On 1 November 2000, one (1) and one (1) share of Ming Lee Engineering was allotted and issued to two initial subscribers, respectively, at nominal value. On 10 November 2000, the initial subscribers transferred one (1) and one (1) share of Ming Lee Engineering to Mr. Lee and Ms. Yeung, respectively, at considerations of HK\$1 and HK\$1 respectively. Ms. Yeung held the interest of Ming Lee Engineering on behalf of Mr. Lee. Mr. Lee and Ms. Yeung were the first directors of Ming Lee Engineering.

As part of the Reorganisation, on 22 March 2017, Ms. Yeung transferred one (1) share in Ming Lee Engineering to Mr. Lee, at nominal consideration of HK\$1 in cash. On 30 March 2017, Mr. Lee transferred two (2) shares in Ming Lee Engineering (representing its entire issued share capital) to Smart Sage, in consideration of which Smart Sage allotted and issued 9,999 shares, credited as fully paid, to Simple Joy.

Ming Lee Engineering is principally engaged in the businesses of ELS, site formation works and other ancillary services such as earthworks and drainage works.

Ming Lee Foundation

Ming Lee Foundation was incorporated in Hong Kong with limited liability on 10 August 2007 with an issued share capital of HK\$200 divided into 200 shares of HK\$1 each. On 10 August 2007, 100 and 100 shares were allotted and issued to Mr. Lee and Mr. Ip Ying Chau (an independent third party other than being a former shareholder and former director of Ming Lee Foundation), respectively, at nominal value. On 10 December 2009, Mr. Ip Ying Chau transferred 100 shares to Mr. Lee at nominal consideration of HK\$1 in cash, taking into consideration (i) the net liabilities position of Ming Lee Foundation; and (ii) Ming Lee Foundation was loss making for the year ended 31 March 2009.

On 27 August 2015, 800 shares were allotted and issued to Mr. Lee at consideration of HK\$800. In consideration of Mr. Lee's financial needs at the relevant time, Mr. Chan's interest in acquiring shareholding interest of Ming Lee Foundation along with his expertise in site management and operations, Mr. Lee transferred 100 shares of Ming Lee Foundation to Mr. Chan on 27 August 2015.

HISTORY, DEVELOPMENT AND REORGANISATION

Details of Mr. Chan's acquisition of shareholding interest in Ming Lee Foundation from Mr. Lee are summarised below:

Name of transferee	:	Mr. Chan
Name of transferor	:	Mr. Lee
Date of acquisition of shares	:	27 August 2015
Number of shares acquired	:	100 shares of Ming Lee Foundation
Amount of consideration paid	:	HK\$5,000,000
Date of payment of the consideration in full	:	27 August 2015
Effective cost per Share (<i>Note 1</i>)	:	Approximately HK\$0.087
Percentage of shareholding upon Listing (<i>Note 2</i>)	:	57,090,000 Shares, representing 7.14% of the issued share capital of our Company upon Listing

Notes:

1. For illustration purposes only. Based on the indicative Offer Price range, representing a discount of approximately 80.7% to HK\$0.45 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 84.2% to HK\$0.55 per Share, being the upper end of the stated Offer Price range.
2. Assuming completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

The said consideration was arrived at after arm's length negotiations between Mr. Lee and Mr. Chan with reference to the then financial performance of Ming Lee Foundation. The aforesaid transaction was legally completed and the consideration was settled on 27 August 2015. Our Directors are of the view that Mr. Chan's acquisition of shareholding interests in Ming Lee Foundation from Mr. Lee was entered into on normal commercial terms. No net proceeds arose from the aforesaid transaction to our Group.

The Shares held by Mr. Chan are not subject to any lock-up after the Listing Date, and are not considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules because Mr. Chan, being the executive Director of the Company, will be a core connected person of our Company upon Listing.

Pursuant to Mr. Chan's acquisition of shareholding interests in Ming Lee Foundation, he is not entitled to any special rights in connection with his acquisition of shares of Ming Lee Foundation. The Sponsor confirmed that the transaction is in compliance with Guidance Letter HKEx-GL29-12 since the consideration under the transaction was settled more than 28 clear days before the date of the submission of the listing application form to the Listing

HISTORY, DEVELOPMENT AND REORGANISATION

Division of the Stock Exchange in relation to the Listing. The Sponsor also confirmed that the transaction is in compliance with Guidance Letter HKEx-GL43-12, whereas the Guidance Letter HKEx-GL44-12 is not applicable to the aforesaid transaction.

As part of the Reorganisation, on 30 March 2017, Mr. Lee and Mr. Chan transferred 900 and 100 shares in Ming Lee Foundation (together representing its entire issued share capital) to Southern Sun, respectively, in consideration of which Southern Sun allotted and issued 8,991 and 999 shares, credited as fully paid, to Simple Joy and Simply Marvel respectively.

Ming Lee Foundation is principally engaged in the provision of foundation works including pile construction and pile cap works in Hong Kong.

Smart Sage

Smart Sage was incorporated in the BVI with limited liability on 3 January 2017, and is authorised to issue a maximum of 50,000 shares of US\$1 each. On 18 January 2017, one (1) fully paid share of Smart Sage, representing the entire issued share capital of Smart Sage at the relevant time, was allotted and issued to Simple Joy.

Smart Sage is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

Southern Sun

Southern Sun was incorporated in the BVI with limited liability on 3 January 2017, and is authorised to issue a maximum of 50,000 shares of US\$1 each. On 18 January 2017, ninety (90) and ten (10) fully paid shares of Southern Sun, together representing the entire issued share capital of Southern Sun at the relevant time, were allotted and issued to Simple Joy and Simply Marvel, respectively.

Southern Sun is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation through the following major steps:

1. Incorporation of Simple Joy

On 3 January 2017, Simple Joy was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. One (1) fully paid ordinary share of Simple Joy, representing the entire issued share capital of Simple Joy, was allotted and issued at par to Mr. Lee on 18 January 2017.

HISTORY, DEVELOPMENT AND REORGANISATION

Simple Joy is an investment holding company and had no substantive business as at the Latest Practicable Date.

2. Incorporation of Simply Marvel

On 3 January 2017, Simply Marvel was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. One (1) fully paid ordinary share of Simply Marvel, representing the entire issued share capital of Simply Marvel, was allotted and issued at par to Mr. Chan on 18 January 2017.

Simply Marvel is an investment holding company and had no substantive business as at the Latest Practicable Date.

3. Incorporation of Smart Sage

On 3 January 2017, Smart Sage was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. One (1) fully paid ordinary share of Smart Sage, representing the entire issued share capital of Smart Sage, was allotted and issued at par to Simple Joy on 18 January 2017.

Smart Sage is an investment holding company and had no substantive business as at the Latest Practicable Date.

4. Incorporation of Southern Sun

On 3 January 2017, Southern Sun was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. Ninety (90) and ten (10) fully paid ordinary shares of Southern Sun, representing the entire issued share capital of Southern Sun, were allotted and issued at par to Simple Joy and Simply Marvel, respectively, on 18 January 2017.

Southern Sun is an investment holding company and had no substantive business as at the Latest Practicable Date.

5. Incorporation of our Company

On 24 January 2017, our Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 24 January 2017, one (1) nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of the Company, which was subsequently transferred to Simple Joy at nil consideration on 24 January 2017.

HISTORY, DEVELOPMENT AND REORGANISATION

6. Acquisition of Ming Lee Engineering

On 22 March 2017, Ms. Yeung transferred one (1) share in Ming Lee Engineering to Mr. Lee at a nominal consideration of HK\$1 in cash. On 30 March 2017, Smart Sage acquired the entire issued share capital in Ming Lee Engineering, pursuant to which Smart Sage acquired two (2) shares in Ming Lee Engineering from Mr. Lee, in consideration of which Smart Sage allotted and issued 9,999 shares, credited as fully-paid, to Simple Joy. Upon the acquisition, Ming Lee Engineering became a wholly-owned subsidiary of Smart Sage.

7. Acquisition of Ming Lee Foundation

On 30 March 2017, Southern Sun acquired the entire issued share capital in Ming Lee Foundation, pursuant to which Southern Sun acquired 900 and 100 shares in Ming Lee Foundation from Mr. Lee and Mr. Chan, respectively, in consideration of which Southern Sun allotted and issued 8,991 and 999 shares, credited as fully-paid, to Simple Joy and Simply Marvel, respectively. Upon the acquisition, Ming Lee Foundation became a wholly-owned subsidiary of Southern Sun.

8. Acquisition of Smart Sage and Southern Sun

On 4 December 2017, Simple Joy and Simply Marvel (each as a vendor and warrantor), Mr. Lee and Mr. Chan (each as a warrantor), and the Company, entered into a share swap deed, pursuant to which the Company will acquire 10,000 shares in Smart Sage, being the entire issued share capital of Smart Sage, from Simple Joy; and 9,081 and 1,009 shares in Southern Sun, being the entire issued share capital of Southern Sun, from Simple Joy and Simply Marvel, respectively. In consideration of which, the Company allotted and issued 9,134 and 865 Shares, credited as fully-paid, to Simple Joy and Simply Marvel, respectively.

Upon the aforesaid transactions, the Company became the holding company of Smart Sage, Southern Sun, Ming Lee Engineering and Ming Lee Foundation. Simple Joy and Simply Marvel will become the shareholders of the entire issued share capital of the Company.

9. Capitalisation Issue and Share Offer

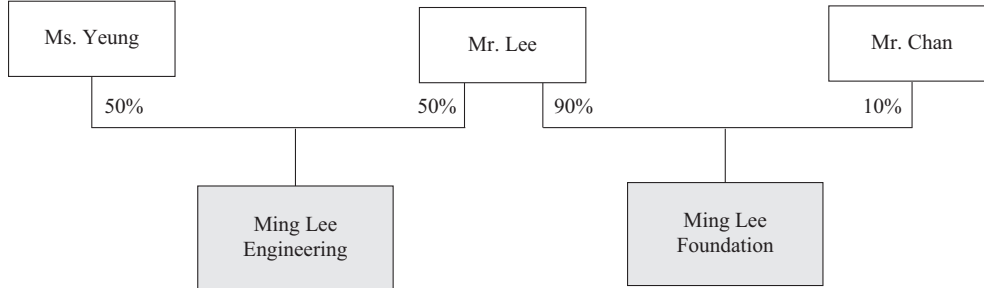
On 4 December 2017, the Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each in order to be positioned to allot and issue (i) 659,990,000 Shares to the existing shareholders of the Company, being 602,900,865 and 57,089,135 Shares to Simple Joy and Simply Marvel, respectively; and (ii) 140,000,000 new Shares for the Share Offer.

Our Company will offer 20,000,000 new Shares under the Public Offer for subscription by the public of Hong Kong and 180,000,000 Placing Shares under the Placing comprising 120,000,000 new Shares offered by our Company for subscription by and 60,000,000 Sale Shares offered by Vendor for sales to professional institutional and other investors, representing a total of 25% of the enlarged share capital of our Company upon Listing.

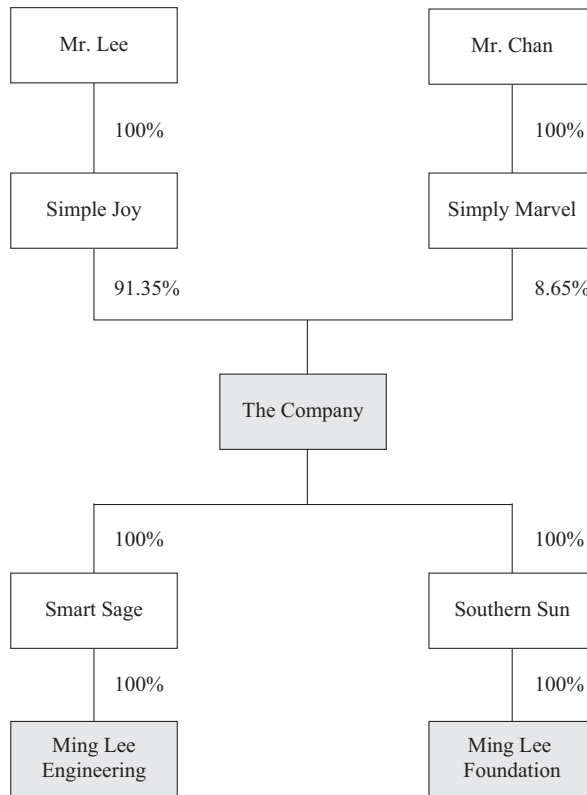
HISTORY, DEVELOPMENT AND REORGANISATION

THE CORPORATE STRUCTURE OF OUR GROUP

Set out below is the corporate structure of our Group immediately before the Reorganisation:

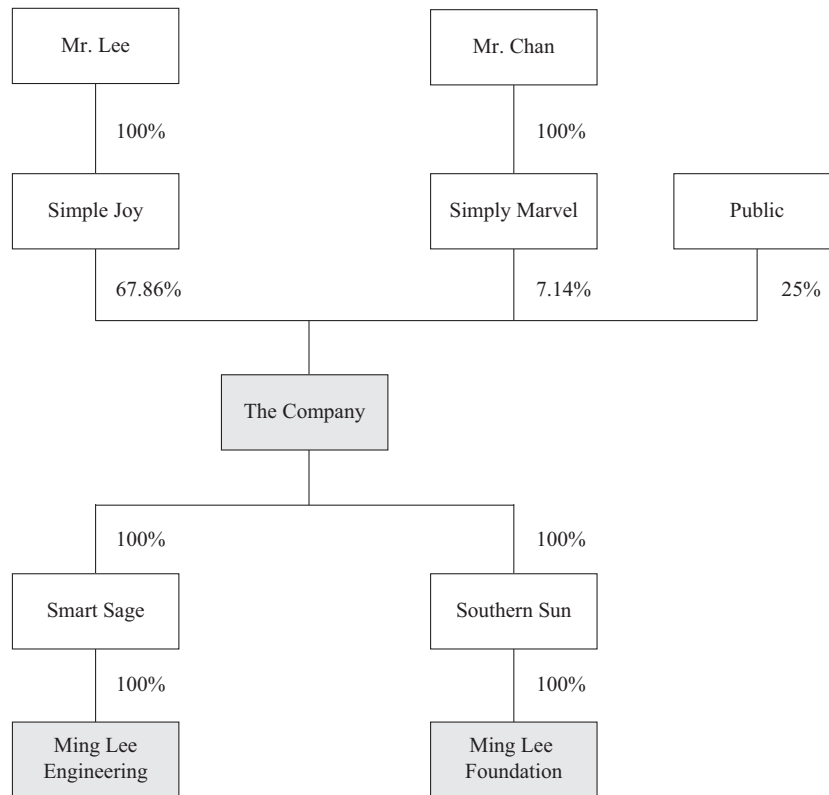


The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer:



HISTORY, DEVELOPMENT AND REORGANISATION

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



BUSINESS

BUSINESS OVERVIEW

We are a Hong Kong-based subcontractor principally providing foundation works including ELS works, pile cap works and pile construction, site formation works and other ancillary services such as road and drainage works for foundation projects in the private sector. During the Track Record Period, we provided our foundation works through Ming Lee Foundation, acting primarily as a principal subcontractor in our projects with our customers mainly consisting of main contractors of private foundation projects in Hong Kong. According to the Ipsos Report, principal subcontractor of a project refers to the subcontractor who is awarded with a material part of a tender by the respective main contractor, and taking into account the comprehensive skill sets and project management capability it possesses, such subcontractor is usually responsible for supporting and assisting the main contractor in managing the project, including the overall planning and project management of work schedules, and the supervision of site works carried out by own direct labour as well as the lower tier subcontractors. As a subcontractor, we also undertake specific parts of foundation works designated by the main contractor.

During the Track Record Period, we had 36 completed projects with recognised revenue of approximately HK\$331.0 million. As at the Latest Practicable Date, we have 12 projects on hand (including projects in progress and projects yet to commence) with a total awarded contract sum of approximately HK\$415.0 million. Our projects on hand are expected to be completed during the period from December 2017 to November 2018. For further information in relation to our projects, please refer to the paragraph headed “Our projects” in this section.

Our Group has generated revenue of approximately HK\$74.3 million, HK\$120.5 million, HK\$219.3 million and HK\$90.3 million for the years ended 31 March 2015, 2016, and 2017 and the four months ended 31 July 2017, respectively. Such increase was mainly attributable to the increase in sizeable foundation projects undertaken during the Track Record Period. Our net profit was approximately HK\$18.2 million, HK\$18.5 million, HK\$31.0 million and HK\$4.9 million for the same period.

We possess our own machinery and construction equipment for performing different types of foundation works. Our major machinery and construction equipment include excavators, hydraulic breakers, air compressors and generators. We believe that our investment in machinery and construction equipment has placed us in a position to cater for foundation works of different scales and to meet the expected growing demand in the foundation and site formation industry in Hong Kong in the foreseeable future. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, we acquired machinery and construction equipment in the amount of approximately HK\$10.8 million, HK\$3.3 million, HK\$12.4 million and HK\$8.0 million, respectively. For further information in relation to our machinery and construction equipment, please refer to the paragraph headed “Our machinery and construction equipment” in this section.

We also have our own team of experienced and well-trained operations staff and workers (including project management and supervision staff, engineers, machinery operators and site workers) who have the requisite skills and experience to handle foundation works of

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high complexity. As at the Latest Practicable Date, we had 25 project management and supervision staff, 27 machinery operators and 31 site workers to operate various types of machinery and carry out necessary site works.

According to the Ipsos Report, the rising demand for residential properties and the overheated properties market in Hong Kong will continue to drive growth in the construction industry in the foreseeable future and the demand for construction service is forecasted to continue rising. Boosted by the Government's initiatives to increase the housing supply, growth in Hong Kong's construction industry, including building construction, foundation and site formation works, will be strong. Further, railway property development and the increasing number of urban renewal projects are also growth drivers of Hong Kong's construction industry. In view of the aforesaid, our Directors are of the view that the demand for foundation works in Hong Kong will continue to rise in the coming years.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

We have established reputation and proven track record

We have over 17 years of experience in undertaking foundation works. Over the years, we gradually expanded our scope of works from ELS works to pile construction works and other foundation ancillary services. During the Track Record Period, the foundation works provided by us mainly consist of ELS works, pile cap works and pile construction works. Moreover, we differentiate ourselves from other ordinary foundation subcontractors by providing not only construction services, but also assisting our customers in project management and site supervision.

In a typical project undertaken by us, we, as the principal subcontractor, take part in (i) the supervision of site works carried out by our own direct labours and our subcontractors with a view to ensure the conformity of the works with the specifications required by our customers as well as the overall quality of the works; and (ii) the overall planning and management of work schedules and logistical arrangements in relation to the workers, materials, machinery and other resources required at work sites with a view to assist our customers who are main contractors in ensuring smooth and timely completion of works. Our Directors consider that the experience of our team of project management and supervision staff is essential for our performance of project management and supervisory functions in the capacity of the principal subcontractor, and our active involvement in project management and supervision has enabled us to establish reliable and complementary relationship with our customers and their respective employers. Our Directors believe that we have built a good reputation and developed a proven track record in the foundation industry since our establishment. During the Track Record Period, we had 36 completed projects with recognised revenue of approximately HK\$331.0 million. As at the Latest Practicable Date, we have 12 projects on hand (including projects in progress and projects yet to commence) with a total awarded contract sum of approximately HK\$415.0 million. For details, please refer to the paragraph headed "Our projects" in this section.

BUSINESS

We possess a range of machinery and construction equipment along with capable team of operations staff and workers

Our business relies heavily on the usage of various specialised machinery and construction equipment, such as excavators, hydraulic breakers, air compressors and generators. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, we invested in new machinery and construction equipment in the amount of approximately HK\$10.8 million, HK\$3.3 million, HK\$12.4 million and HK\$8.0 million at cost, respectively. We believe that our investment in machinery and construction equipment has improved our position to undertake foundation works projects of different scales and complexity.

Also, we have our own team of experienced, well-trained operations staff and workers (including project management and supervision staff, machinery operators and site workers). As at the Latest Practicable Date, we had 25 project management and supervision staff, 27 machinery operators and 31 site workers to operate various types of machinery and carry out necessary site works. In particular, our project management staff have extensive industry and technical knowledge in foundation works and our engineering staff and foremen have well-developed practical skills and experience. Our project managers possess relevant professional qualifications and experience as required for foundation works. For instance, as at 31 July 2017, most of our project managers are engineers and/or holders of bachelor degree in construction related subjects and most of our engineering and technical staff possess the relevant academic qualifications or experience to handle foundation designs and supervise foundation works.

Our Directors believe that the possession of our own fleet of machinery and construction equipment coupled with a capable team of operations staff and workers provides us flexibility in formulating our planning and deploying machinery and construction equipment for our projects and we may apply suitable machinery and construction equipment specifically catered to the needs and requirements of different projects, as well as enables us to schedule our projects and deploy our manpower efficiently and effectively.

Capability to contribute advices on foundation designs and provide appropriate adjustment suggestions

We possess an experienced technical team with knowledge and experience on design and construction works which is led by our Directors and senior management. Our in-house engineers have enabled us with the capability to (i) provide valuable input on the design to the project employers, including how the pilings should be performed, the type and quantity of construction materials to be used, and the type and number of machinery to be deployed; and (ii) provide expert advice on foundation designs and appropriate adjustment suggestions to suit our customers' specific requirements, including making suggestions to cope with uncertainties which may only come to understanding during the project's operation. Riding

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on our technical expertise and knowledge, we are capable of taking a pragmatic approach and adopting cost efficient method in construction and submitting economical quotation for contracts to increase our competitiveness.

We have an experienced and dedicated management team

We have an experienced and dedicated management team with extensive operational expertise and understanding of the foundation industry in Hong Kong which allow us to anticipate market trends and position and will lead our Group through future development and challenges. Our executive Directors and senior management team comprise a group of highly experienced individuals in the foundation industry. Mr. Lee, our Chairman and executive Director and Mr. Chan, our chief executive officer and executive Director, had over 40 and 20 years of experience in the foundation industry, respectively, and have established close relationships with our customers and suppliers. Mr. Lee is responsible for the overall strategic management and business development of our Group and Mr. Chan is responsible for the day-to-day management and operations of our Group. Their solid experience and extensive knowledge of the foundation industry contributed to the stable growth of our Group's business. Each of the members of our senior management team, namely Mr. Tsang Kwok Ping and Mr. Wong Kam Ki, has over 16 years of experience in the foundation industry. For details of the qualification and experience of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus. Their qualification and leadership have assisted our Group to formulate competitive quotations, built up our foundation construction capacity, expanded our service types and developed our reputation in the industry. Their technical know-how and industry knowledge acquired and accumulated over the years have and will continue to contribute to our business development and future prospects.

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our market position as an established contractor in the foundation and site formation industry in Hong Kong. We have formulated the following business strategies to strengthen our position and expand our market share in the foundation and site formation industry in Hong Kong:

Strengthen our financial capability and expand our market share

We plan to continue to strengthen our financial capability in undertaking more large scale foundation projects in Hong Kong. Given we have been invited to submit quotations for increasing number of projects, our Directors consider that our Group has plenty of opportunities to expand our business. According to the Ipsos Report, the revenue of the foundation and site formation industry in Hong Kong is expected to grow at a CAGR of approximately 3.5% from 2017 to 2021, supported by the Government's initiatives in housing development including increase in supply of residential land for private properties and urban renewal. As such, our Directors are of the view that the demand of our services from the private sector is strongly supported. During the Track Record Period, the average contract sum of projects undertaken significantly increased from approximately HK\$11.0 million for the year ended 31 March 2015 to approximately HK\$31.1 million for the year ended 31 March 2017. However, our Group has to be financially well prepared to take on

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extra projects in this sector as the upfront set up costs will tie up our Group's resources. In particular, our Directors consider that sizeable projects with huge project sum usually have longer contract period and their cash inflows are expected to be slower than projects with shorter contract period. Upon Listing, our Group will be advantaged by utilising part of the net proceeds received from the Share Offer to strengthen our available financial resources and applying it to finance the initial costs to be incurred in the early stage of the projects, which will include purchase of construction materials and the payment of wages to our staff and our subcontractors. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.

Further strengthen our manpower

We consider that having a team of skilled workers equipped with the appropriate knowledge and experience in performing different types of foundation works is crucial to our continuing success. Our Directors intend to execute our future additional projects by our own direct labour to the extent possible without substantial use of subcontractors as our Directors consider that holding all else the same, the use of our own direct labour (compared to engaging subcontractors) would generally lead to a higher profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors. Therefore, we intend to expand our labour force by recruiting more project management, project execution and project support staff in order to cope with our business development and our planned purchases of additional machinery and construction equipment as mentioned above.

Acquire additional machinery and construction equipment

Our capacity to carry out foundation works for our customers depends largely on the availability of our machinery and construction equipment. We believe that our investment in machinery and construction equipment has placed us in a position to cater for foundation works of different scales and complexity and to meet the expected growing demand in the construction industry in Hong Kong in the foreseeable future. According to the Ipsos Report, limitation in among others, specialised machinery and construction equipment would restrict the scale and complexity of projects undertaken by a foundation contractor. We believe that our continued investments in machinery and construction equipment are necessary in order to increase our capacity as we recorded a high utilisation rate in our machinery and construction equipment, please refer to the paragraph headed "Our machinery and construction equipment – Utilisation rate and useful life" in this section for details. Therefore, we intend to acquire additional machinery and construction equipment including excavators and hydraulic breakers. Our Directors believe that the purchase of additional machinery and construction equipment will enable us to cope with our business development, strengthen our brand name and increase our overall efficiency, capacity and technical capability in performing foundation works as well as our ability to cater for different needs and requirements of different customers.

Implementation of business strategies

For further details on the implementation of the above-mentioned business strategies, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

OUR SERVICES

We provide a wide range of foundation works to our customers, which include ELS works, pile cap works and pile construction, site formation works and other ancillary services such as road and drainage works. Depending on the specific characteristics of each construction site and our customers' needs, we may provide more than one type of such services in a construction project. Set forth below is a brief overview of the major types of works undertaken by us during the Track Record Period:

ELS works

ELS works are typically used for establishing a supported area for deep excavation to facilitate subsequent construction of footing foundation basement, or pile caps for further infrastructure development. Usually, ELS works begin by the insertion of steel pile wall into the soil for the planned excavation which will be followed by excavation within the steel pile walls. Lateral support is added to keep the steel pile wall stable for deeper excavation. Pile cap construction and substructure construction will begin once excavation to the required depth is completed.

Pile cap construction

Pile cap is a reinforced concrete structure constructed on top of a pile or a group of piles with the aim of distributing the load from the above structures to the piles. Pile cap provides a large area for the construction of columns and walls it supports and achieves a better distribution of loads to the pile or group of piles beneath.

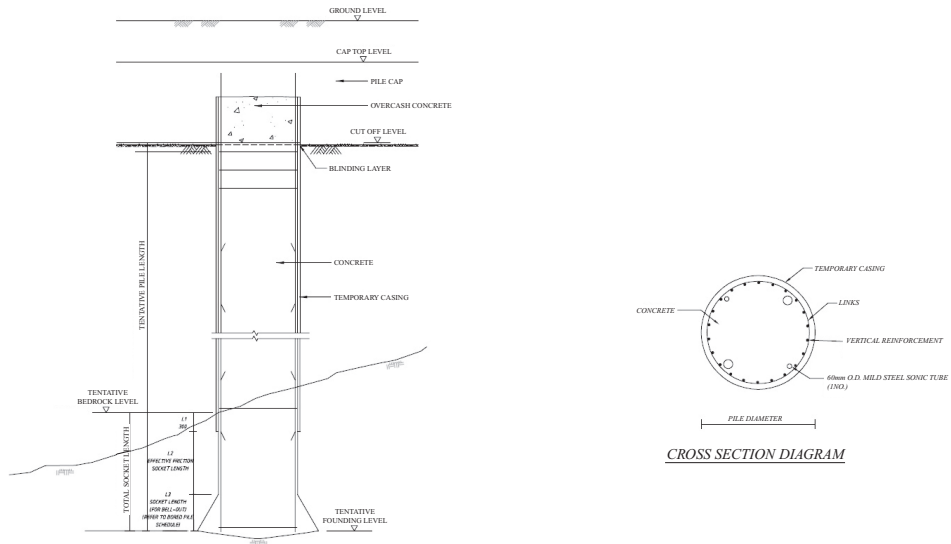
Site formation works

Site formation work is carried out to prepare a site to the required levels or topography for subsequent foundation works, building works and other works such as construction of access roads and temporary or permanent drainage system. Site formation works generally include clearance of site such as demolition and removal of buildings and unwanted structures, excavation by cut and fill, site levelling, reduction and stabilization of existing slopes, formation of new slopes, construction of retaining walls and formation of access roads and drainage system.

Pile construction

Piles are columnar foundation elements which are used to support a structure by transferring the load of a structure to the strong ground below, such as rock or stronger subsoil. The piles are installed into the ground by either excavation of pile bore holes and filling with concrete or driving manufactured/precast pile sections into the ground. There are a number of factors that need to be considered when determining the most appropriate pile type, these include the ground conditions, nature of loading, effects on surrounding structures and environment, site constraints, safety, cost and programme etc. The major types of pile construction carried out by us include bored piling, percussive H-piling, socketed H-piling and sheet piling.

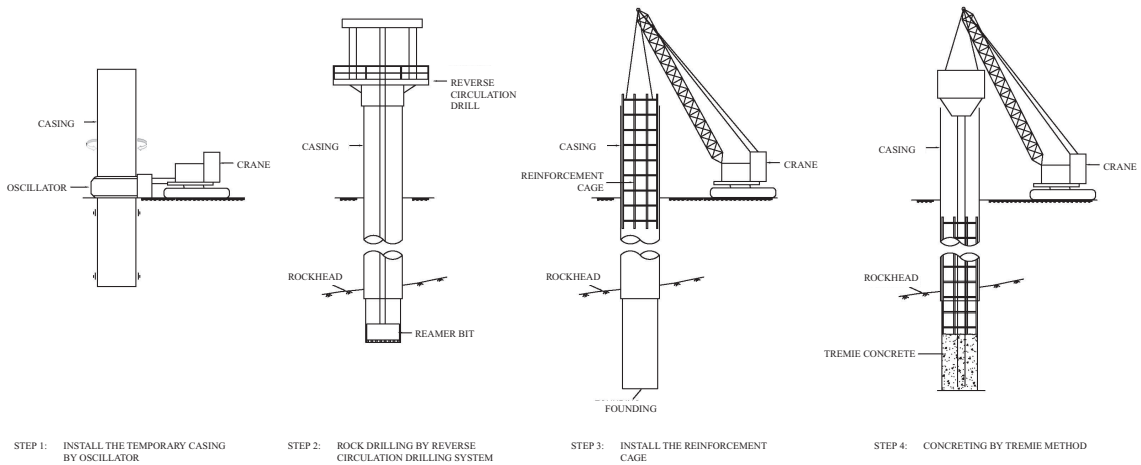
Bored piling



TYPICAL DETAILS OF LARGE DIAMETER BORED PILE

Large diameter bored piles are used for supporting heavy loads of tall buildings or highway structures, with diameter generally exceeding 0.75 metres.

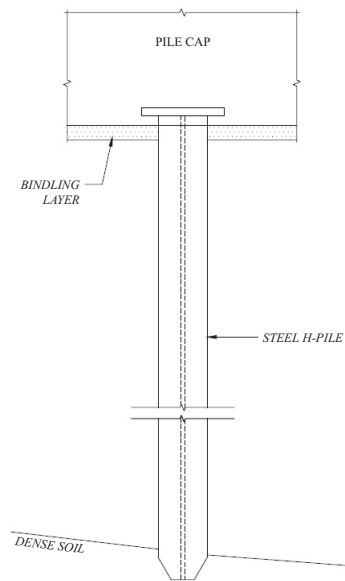
Bored piles are formed by machine grabbing or reverse circulation drilling inside a steel casing to the required level to form a bored hole. The temporary steel casing is used to stabilise the walls of the bored hole and prevent soil from collapsing into the bored hole. This is followed by the insertion of a reinforcement cage into the bored hole. After the pile founding level has been confirmed, the pile base may be enlarged to form a bell-out, thus to further increase the pile load bearing capacity. Finally, the bored hole will be filled with concrete. The diagrams below illustrate the typical procedure of construction of large diameter bored piles:



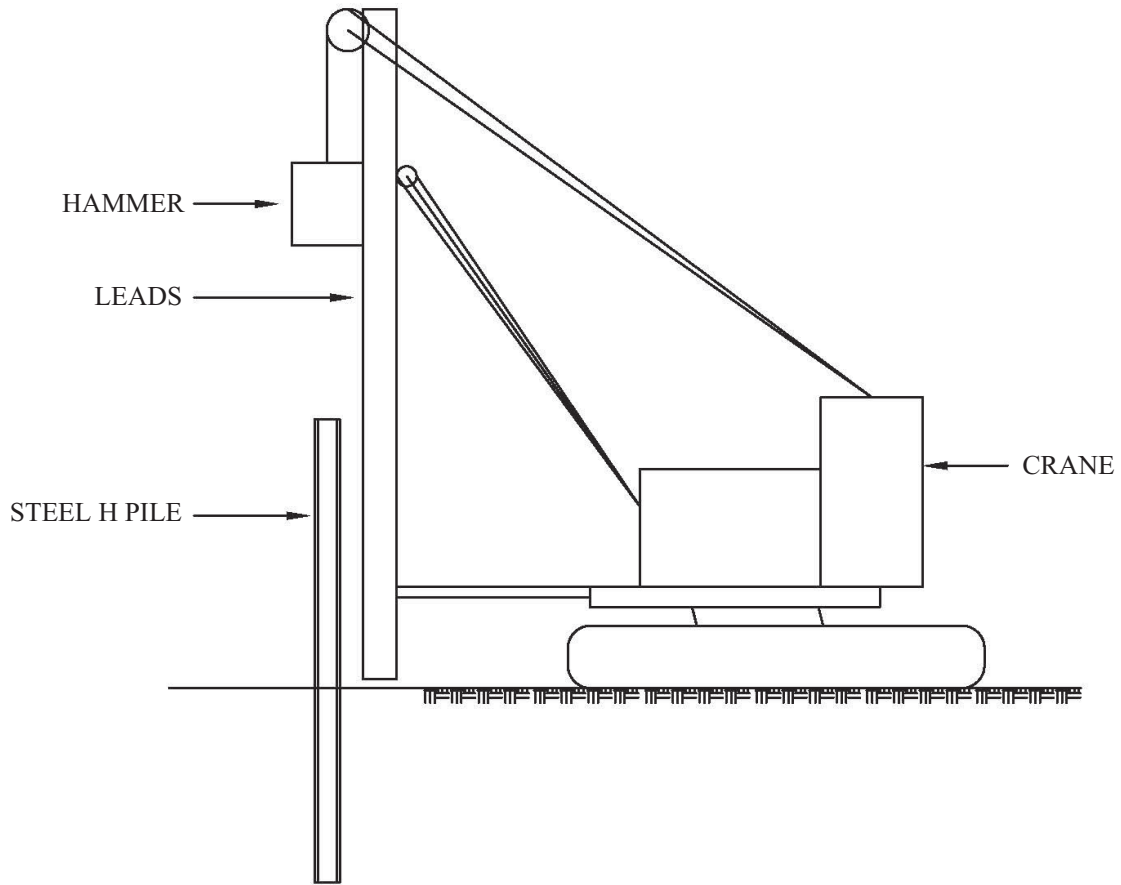
BUSINESS

Generally, large diameter bored piles in Hong Kong are designed as end-bearing piles and are founded on hard rock. The pile load bearing capacity of large diameter bored piles can be increased by constructing a bell-out at the pile base or socketing the pile into rock. In addition to its higher load bearing capacity, one of the advantages of construction of large diameter bored piles include a lower level of noise and vibration, thus reducing the disturbance to the public, and making it suitable at sites with more sensitive receivers. The bored piling works undertaken by us are mainly with diameters ranging from 1.5 metres to 3 metres.

Percussive H-piling



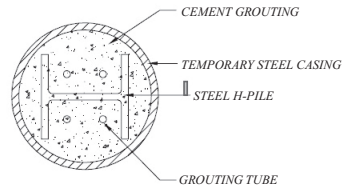
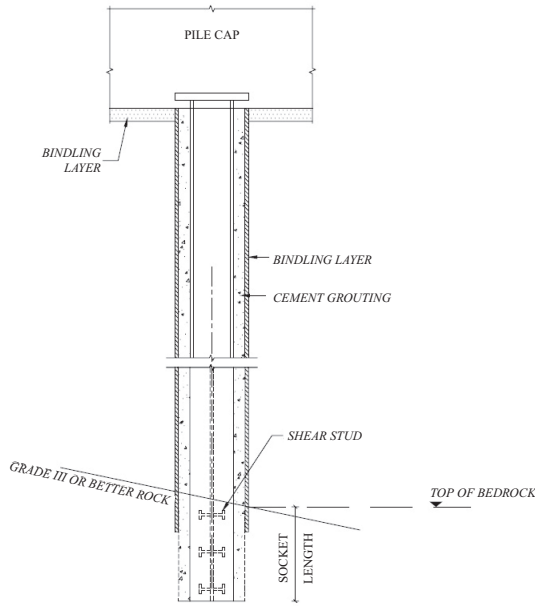
*TYPICAL DETAIL FOR
PERCUSSIVE STEEL H-PILE*



Percussive steel H-piles are installed by driving the steel H-pile with a hydraulic hammer or a drop hammer to the required depth and are mainly designed as “friction piles” in Hong Kong, whereby the pile tip is generally found on dense soil and at the required depth at which a low penetration rate is achieved by further hammer blowing. As percussive steel H-pile is a type of “friction pile”, the load bearing capacity relies on the friction between the contacted surface area of the pile and soil.

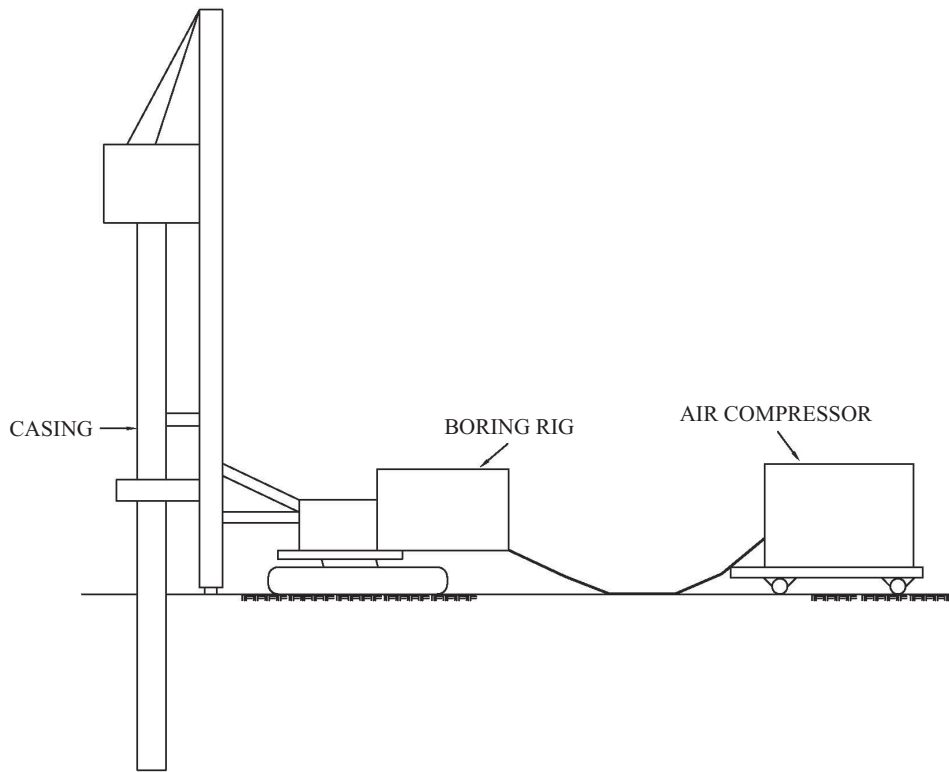
Percussive steel H-piles have the advantages of being easy to handle, able to carry high compressive loads and the steel H-piles can easily be driven to a deep ground. The size of the machinery used for percussive steel H-piling works is smaller compared to those used for bored piles, thus, H-piling works are the solution for carrying out foundation works at sites with limited space. In view of the above factors, percussive steel H-piles have been widely used in Hong Kong in the past and nowadays.

Socketed H-piling



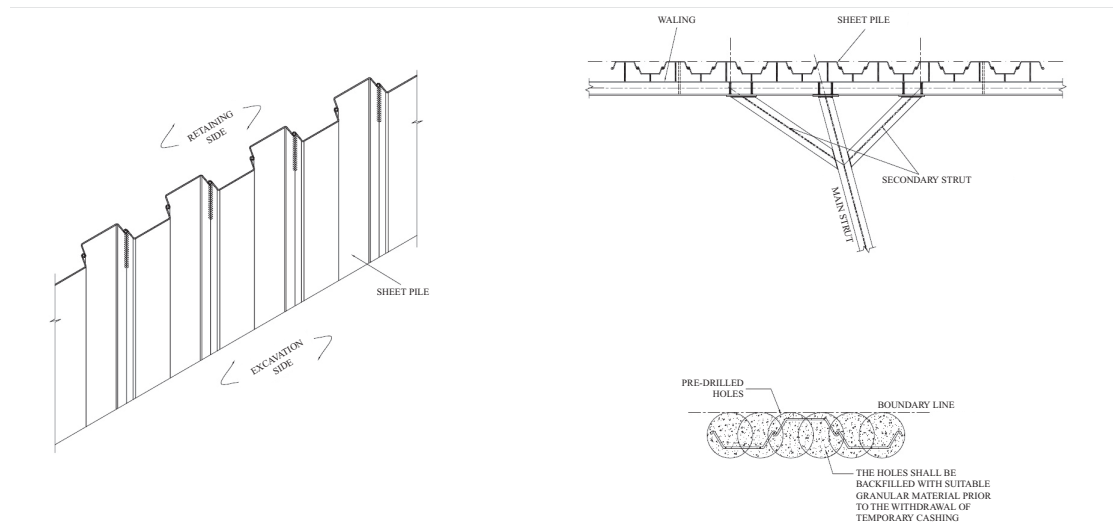
CROSS SECTION DIAGRAM

TYPICAL DETAIL FOR
ROCK SOCKETED PILE



Socketed H-piles are formed by inserting a steel H-pile section into a prebored hole in the bedrock and subsequently filling the prebored hole with cement grout. The prebored holes formed by drilling with a hydraulic boring rig should be large enough to facilitate the installation of H-piles and to allow sufficient cover for corrosion protection purposes. Cover to the pile tip is generally unnecessary and the H-pile section can be placed directly on the rock surface of the prebored hole. Socketed H-piles are stronger in flexural strength than mini-piles and are generally used to accommodate sloping and congested sites. The loading capacity of socketed steel H-pile comes from the skin friction between the grout and rock.

Sheet piling



Sheet piles are thin interlocking steel sheets designed as temporary retaining wall or cofferdams erected to enable subsequent temporary or permanent works, such as bulk excavation and pile cap works. Sheet piles are light weight, reusable and can easily be adapted to the required length by welding or bolting. Sheet piles are installed by driving or vibrating them to the required depth deeper than the excavation level.

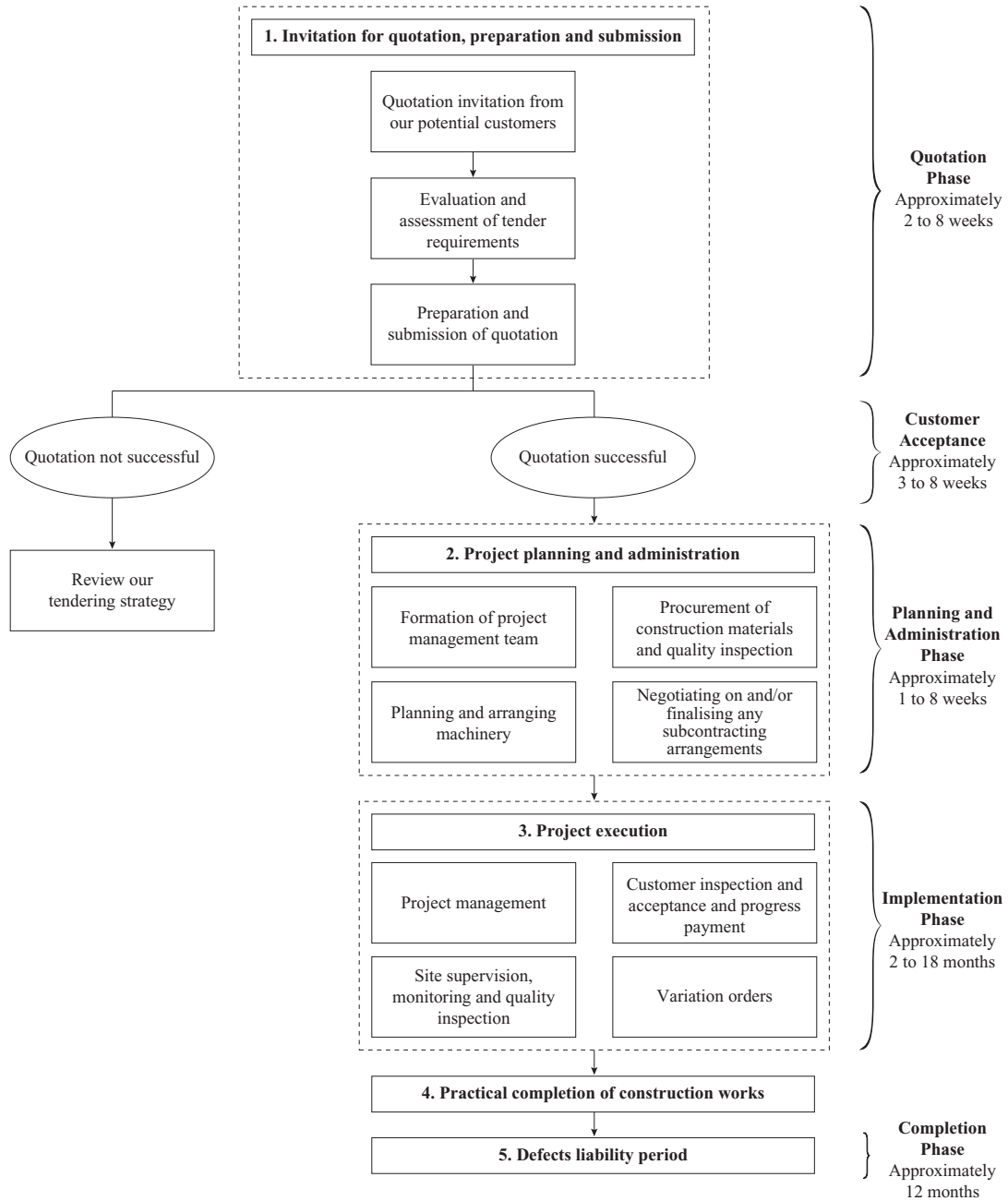
Road and drainage works

Roads and drainage works generally refer to construction of transport interchange, carriageway and walkway, road improvement and widening works, while drainage works generally include flood prevention or improvement works and sewage improvement works comprising construction of drainage channel, outfall pipe, box culvert and pumping station and drainage related and infrastructures. During the Track Record Period, the principal types of roads and drainage works performed by us include construction of transport interchange, construction of underground drainage, manholes, cable ducts and supply and installation of fire-fighting system and water mains.

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BUSINESS MODEL AND OUR OPERATION

The following flow chart illustrates the work-flow of our typical foundation projects:



Note: The time frame may vary for different contracts depending on various factors such as the nature of works to be performed, presence of variation orders and/or our agreement with the customer on the timeframe for the principal steps to be undertaken as well as other unforeseeable circumstances.

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1. Invitation for quotation, preparation and submission

We are usually invited by our customer to submit a quotation for a potential project. Our customers are mainly main contractors of foundation projects and we are invited to act as a subcontractor. We are normally provided with the specifications, site conditions, design drawings and other relevant information for the preparation of quotation. On occasion, our Group may enter into a pre-bid agreement in addition to our quotation with our potential customer who is a main contractor upon its request such that the relevant subcontract will be secured by our Group in the event that such main contractor is successfully awarded the tender.

Our tendering team, consisting of a project manager and a quantity surveyor is responsible for making a preliminary review and assessment of a potential project and the preparation of quotation. Our quotations are determined on a project-by-project basis and it is generally based on our estimated costs to be incurred for the potential project plus a mark-up margin. In the course of preparing the quotation, our project manager will take into consideration principal factors, including: (i) the specifications and complexity of the potential project; (ii) the site location and conditions; (iii) the price quotations from our suppliers and subcontractors, if necessary; (iv) the work schedule and duration of the potential project; (v) the availability of machinery, resources and manpower needed; (vi) the scale of the project; and (vii) our previous working relationship with the customer. Our project manager may conduct an on-site visit if necessary to make a more accurate assessment of the geological conditions and surrounding environment of the relevant sites to assess any inherent risks which may result in increased expenses and prolonged work schedules.

Once our management team decide that a potential project is acceptable based on the preliminary review and assessment, we will prepare and submit a quotation to our customer accordingly. Depending on the complexity and scale of the foundation project, it generally takes us approximately two to eight weeks to prepare and submit our quotation to our customers after we receive the invitation.

Normally, quotations are submitted on the basis that a foundation design would be provided by the consultants, architects or engineers of the employers of the relevant foundation projects.

We will prepare the quotation after reviewing the project specifications and requirements set out in the invitation to quotation and assess the difficulties and expected cost to be incurred for the foundation works and ancillary services, if any, to be undertaken for such project. Our management team plays an important role in quotation preparation and submission and is responsible for reviewing quotation documents, considering the factors as mentioned above so as to formulate overall bidding strategies and ensure the bids are competitive in price yet profitable.

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In addition, we may also review and give advice on the preliminary foundation design prepared by the consultants, engineers or architects of the employer of the project in accordance with the specifications set out in the relevant invitation for quotation. With our technical team which possesses expertise and extensive experience in foundation operation, we are capable of giving practicable advice on foundation designs and appropriate adjustment suggestions to suit the relevant specific requirements of a project and preparing method statements to the main contractor as well as consultants, engineers or architects of the respective employer for their consideration and approval. Our Directors believe that an effective and economic foundation design is an important aspect in the quotation process as it directly influences the price competitiveness of our quotation sum which in turn affects our chances of being awarded the projects.

Quotations submitted during the Track Record Period

The following table sets out the number of quotations submitted, the number of successful quotation tenders and our success rate during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 March			From 1 April 2017 up to the Latest Practicable Date
	2015	2016	2017	(Note)
Number of quotations submitted	23	33	48	69
Number of successful quotation tenders	9	8	10	8
Success rate	39.1%	24.2%	20.8%	11.6%

Note: Out of the total 69 quotations submitted since 1 April 2017 up to the Latest Practicable Date, 17 quotations were unsuccessful, and 44 quotations were still under evaluation by our potential customers as at the Latest Practicable Date.

Our Directors confirm that our quotation success rates are within expectation. Although it appears that our quotation success rate generally decreased during the Track Record Period, the invitation to submit quotations surged but our capacity has been engaged by our projects on hand. Nevertheless, it was our strategy to be respectful to our customers' quotation invitations and continue to submit quotations to our customers in order to maintain business relationship and maintain our presence in the market. Under such circumstances, we normally factored in a slightly higher profit margin to cover the cost for the needs of putting in additional resources, such as project management staff and a higher proportion of subcontracting arrangements, which may decrease the attractiveness of our quotations. Despite this, our Directors consider that the increasing number of quotations submitted over the Track Record Period and up to the Latest Practicable Date is evidence of our solid presence in the industry and support our business strategies. Please refer to the paragraph headed "Business strategies" in this section for further details.

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Upon receipt of our quotation, our customer may by way of interview or enquiries clarify and negotiate with us the particulars of our submitted quotation and the contract terms. For details of the major contract terms with our customers, please refer to the paragraph headed “Our customers – Major terms of our contracts” in this section. It generally takes around three to eight weeks for our customers to consider our quotations and inform us whether they would award us with the foundation project.

2. Project planning and administration

Once our customer accepts our quotation, it will generally issue a letter of acceptance to us to confirm our engagement followed by a formal engagement agreement being made between us and our customer once the contract terms are finalised. Upon confirmation of our engagement, we commence the implementation of the project by: (i) forming a project management team; (ii) arranging procurement of construction materials; (iii) planning and arranging the required machinery to be delivered to the construction site; and (iv) negotiating and finalising any subcontracting arrangements, if necessary.

(i) Formation of project management team

Depending on the scale and complexity of the project, our project management team generally comprises the project manager, engineer, site agent, quantity surveyor and foreman. The general responsibilities of our project management team mainly include (i) working with our technical team which is principally responsible for fine-tuning and finalising the overall foundation designs based on the preliminary design drawings and project specifications received from our customers; (ii) preparing method statements after studying the results of site survey and geotechnical report prepared by the employer’s engineer; (iii) formulating detailed work programmes; (iv) liaising with our suppliers for handling procurement of materials; (v) engaging and delegation of works to subcontractors; (vi) coordinating with our customers, subcontractors and suppliers to complete the projects according to the work schedules; (vii) managing our respective staff and subcontractors’ technicians to complete projects on time; and (viii) ensuring work quality.

Our project manager is responsible for the overall management of our projects and will closely monitor the progress of our projects on an on-going basis to ensure compliance with applicable statutory and regulatory requirements. Our surveyors are responsible for overseeing the materials on-site and ensuring the works performed by our subcontractors meet technical requirements by measuring the location, depth and quality of drilling works etc. Our subcontractors are responsible for handling the works delegated by us at project sites under the instructions and supervisions of our foremen. Our engineering staff are responsible for (i) preparing the site daily record to properly record the number of workers at each project site, which should be passed to the respective project manager for review and record keeping; and (ii) monitoring the work progress and communicating with our foremen about each project’s operation in detail. On-site inspection is also conducted by our engineering staff to further ensure the quality of works handled by our subcontractors.

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Our project management team will oversee the project on site as a whole and report to our executive Directors about the project status and identify any problems that need to be resolved from time-to-time.

(ii) Procurement of construction materials and quality inspection

The key construction materials that we purchase include concrete and steel. Our quantity surveyor and engineer will determine the quantity, delivery schedule, specifications and type of construction materials to be purchased in order to meet our customers' requirements. We place orders with our approved suppliers to purchase the required materials and construction materials on a project-by-project basis and when they are needed. In some cases, our customers will purchase certain construction materials on our behalf in the relevant projects. Please refer to the paragraph headed "Our customers – Contra-charge arrangement with our customers" in this section for further details. The materials procured by our Group are inspected and/or tested before use to ensure compliance with the contractual specifications and requirements and relevant statutory requirements.

(iii) Planning and arranging machinery

In cases where our foundation works involve use of machinery, our construction managers will be responsible for managing the machinery for all projects. Under the supervision of our management, our construction managers will determine among others, the types of machinery to be used, the time period which require the use of the machinery and the logistics for the delivery of machinery. For details of our machinery, please refer to the paragraph headed "Our machinery and construction equipment" in this section.

(iv) Negotiating on and/or finalising any subcontracting arrangements with third parties

Depending on our capability and resources level, we may subcontract specific parts of our project, such as reinforcement fixing works, hoarding, certain site formation and piling works to our subcontractors. Save for such specific parts as aforesaid, we usually carry out the project works ourselves. For details on our subcontracting, please refer to the paragraph headed "Our suppliers – Subcontracting" in this section.

3. Project execution

(i) Project management

In a typical project undertaken by us, our customer, who is main contractor, holds prime responsibility in the overall project planning and implementation. However, leveraging on the extensive experience of our project management and supervision staff and differentiating ourselves from other subcontractors, we, in our capacity as the principal subcontractor, are able to assist our customer in formulating master construction programme to facilitate the overall management of the project by

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specifying/implementing (i) the organisation, management, planning, supervision and co-ordination of the works; (ii) the methods of construction and the resources for performance of the works; and (iii) the sequence and timeframe for performance of the works. In such circumstance, our project management and supervision staff will act as one of the key site management and supervisory team personnel to oversee the progress of the master programme.

Throughout the project implementation process, we generally assume the role of coordinating with customers and their employers, subcontractors and materials and equipment suppliers, and to take charge of the related management of these works.

(ii) Site supervision, monitoring and quality inspection

The foundation works are executed by our direct labour and/or our subcontractors under the supervision of our on-site project team and representatives of our customers. To ensure each project is executed efficiently and smoothly, we take a proactive approach to supervise the progress. Our project manager visits each project site from time to time aiming to resolve any issue identified during implementation of the project. Our project management team also maintains frequent communications with our customers, suppliers and subcontractors in order to make sure each project is executed according to the plan. The work progress of the site would be inspected by our quantity surveyor before we prepare the payment application to our customer.

(iii) Customer inspection and acceptance and progress payment

For each project, our customer would inspect our work done in the course of execution of the foundation projects. We generally do not receive any prepayment from our customers after being awarded with the foundation project. Pursuant to the subcontracts, we are generally required to submit to our customers, either on a monthly basis or by stages a payment application setting out the value of our work done under the subcontract along with any value of works due to variations. Our customers will measure the works completed and certify the amount we are entitled to for the relevant month by issuing a payment certificate. In general, our customers take around one to four weeks to issue the payment certificate. For each of such interim payment, our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% to 10% of the contract sum as retention money for the project. Similarly, we normally pay our subcontractors on a monthly basis or by stages with reference to the works done completed by our subcontractors certified by us.

(iv) Variation orders

Our customers may order variation to the original project works or request for additional work that is beyond the scope of the subcontract (“**variation orders**”). The value of such variation orders has to be agreed between our customers and us. If there is a pre-agreed fee rate in the subcontract for the variation/additional work, the work will be priced in accordance with the pre-agreed fee rate or with reference to the rates and prices for the like or analogous work. If there is no pre-agreed fee rate, we will provide a quotation to our customer, the mechanism of which is similar to providing

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our project quotation. The principal contract terms and settlement of variation orders are generally in line with the terms of the subcontract. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, we recognised revenue of approximately nil, HK\$4.7 million, HK\$2.4 million and nil from nil, 3, 2 and nil variation orders, respectively, representing approximately nil, 3.9%, 1.1% and nil of our total revenue for the same periods. None of the variation orders have resulted in any loss to our Group during the Track Record Period.

(v) Cost control and management

As our contracts are usually of a fixed sum without any price adjustment clause, our ability to maintain our profit margin is impacted in part by our ability to estimate and manage our project costs. We have therefore established and implemented the following cost control and management measures.

Our project managers prepare a budget plan for each project which will be reviewed and monitored against actual incurred costs. Our finance department prepares construction costs reports and meets with our project managers regularly. Our executive Directors, together with our finance department, review the accuracy of the budget plan of each project and suggest way to improve the accuracy from time to time. Any material deviation from the budget plan will be highlighted in the reports so as to enable us to understand the cause of any cost overruns and implement measures to reduce or eliminate the cost overruns.

We usually engage our subcontractors and enter into contracts with our construction materials suppliers in the early stage to fix the subcontract and purchase price, which in aggregate represented over 70.0% of our total direct costs during the Track Record Period, so as to ensure stable supply and minimise cost fluctuation. Besides, we maintain an internal record of the usage of our major types of machinery and construction equipment to facilitate the planning and allocation of our machinery fleet. Depending on the availability of our machinery and construction equipment, the project schedule and requirements, we prioritise the use of our own machinery and construction equipment to leasing from our suppliers to save costs and enhance our profitability.

To mitigate the risk of delay in completing our projects and safeguard our Group from any liquidated damage claims, our project managers will closely monitor the progress of our projects and have regular meetings with our Directors, senior management and our customers. If there is any project whose progress falls behind the construction schedule, we will determine and take prompt and necessary remedial actions, such as allocating more manpower and machinery to the respective construction site. During the Track Record Period, there has been no material liquidated damages claims against us by our customers.

In view of the above, our Directors believe that our cost control and management measures are adequate.

4. Practical completion of construction works and retention monies

In general, we consider a subcontract be practically completed (excluding the defect liability period) once we completed all the subcontract work thereunder and we permanently remove our machinery and construction equipment and retreat our labour from the work sites such that our customer and other subcontractors can commence their works according to the work programme. Our customer will then prepare and agree on the final account with us and the final account will set out the final outstanding balance due to us. The final account is generally issued to us approximately 6 to 12 months after practical completion.

In order to ensure due completion of the entire subcontract work, our customers will usually be given the right to withhold approximately 10% of each progress payment due to us as retention monies. In general, the subcontracts will specify that the total amount of retention monies shall not exceed approximately 5% to 10% of the total contract sum of the subcontracts. The retention monies are generally released to us in two instalments but the retention period could vary. The first half of the retention monies is generally released after the completion of our subcontract work while the second half is generally released 12 months after completion of the subcontract work or main contract or after the defect liability period respectively. There has been no forfeiture of retention money during the Track Record Period. As at 31 July 2017, the retention monies withheld by our customers for completed works included in the amounts due from our customers for contract work amounted to approximately HK\$22.8 million.

Similar to the aforesaid arrangement between our customers and us, we generally withhold approximately 10% of each progress payment due to our subcontractors and up to a maximum limit of 5% as retention monies to guarantee their due completion of the subcontract works. As at 31 July 2017, the retention monies withheld by us for the works completed by our subcontractors included in our retention payables amounted to approximately HK\$9.4 million.

During the Track Record Period, we did not encounter any material delay in our projects and there was no material liquidated damages claims against us by our customers. By the same token, we did not make any material liquidated damages claims against our subcontractors and thus, there was no revenue arising from liquidated damages during the Track Record Period.

5. Defect liability period

In general, our customers require us to provide a defect liability period, during which we will remain responsible for remedying any defects or imperfections discovered in relation to our works done. Our defect liability period will generally be (i) one year after completion of our subcontract work; or (ii) a period until the expiry of the defect liability period of our customers as the main contractors, depending on the terms and conditions of the subcontracts. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims from our customers in relation to defects or imperfections discovered during the defect liability period.

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Duration of our projects

The duration of our projects is affected by a wide range of factors including technical complexity, urgency, underground and geological conditions, input of machinery and labour, expectation of customers, amount of variation orders and weather conditions, and a single or combination of these factors can significantly vary the duration of our projects. Depending on the aforementioned factors, the duration of a contract completed during the Track Record Period could generally range from approximately a month to approximately 18 months. For completed projects during the Track Record Period with contract sum of over HK\$1 million, the average duration was approximately ten months. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any delay in project completion which would have given rise to any claim from our customers and had a material impact on our business, financial condition or results of operations.

OUR PROJECTS

Projects undertaken and completed

During the Track Record Period, we had 36 completed projects with recognised revenue of approximately HK\$331.0 million. The following table sets out the details of our projects with total contract sum of over HK\$5,000,000 completed during the Track Record Period in descending order based on the total contract sum:

Completed projects

No.	Location	Type of works	Our role	Project period <i>(Note 1)</i>	Total contract sum <i>(HK\$'000)</i> <i>(Note 2)</i>	Accumulated revenue recognised during the Track Record Period <i>(HK\$'000)</i>
1	TMTL498, Tuen Mun	ELS works and piling works	Principal subcontractor	September 2014 to January 2016	78,593	78,593
2	2A Discovery Bay	Site formation works	Principal subcontractor	June 2016 to May 2017	64,020	64,020
3	TMTL434, Siu Lam, Tuen Mun	ELS works and site formation works	Principal subcontractor	March 2015 to November 2016	39,095	39,095

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No.	Location	Type of works	Our role	Project period <i>(Note 1)</i>	Total contract sum <i>(HK\$'000)</i> <i>(Note 2)</i>	Accumulated revenue recognised during the Track Record Period <i>(HK\$'000)</i>
4	14-20 Inverness Road, Kowloon Tong	ELS works and piling works	Principal subcontractor	September 2015 to September 2016	37,326	37,326
5	69-83 Shun Ning Road, Cheung Sha Wan	ELS works and piling works	Principal subcontractor	October 2014 to December 2015	31,722	31,722
6	TMTL436, Siu Lam, Tuen Mun	ELS works, site formation works and piling works	Subcontractor	September 2013 to June 2014	25,407	3,454
7	78-80 Maidstone Road, To Kwa Wan	ELS works and piling works	Principal subcontractor	April 2016 to July 2017	20,597	20,597
8	189-193 Pei Ho Street, Sham Shui Po	ELS works and piling works	Subcontractor	September 2014 to May 2015	14,609	14,609
9	Discovery Bay Phase 16	ELS works and site formation works	Subcontractor	October 2014 to February 2015	7,631	7,631
10	45 Castle Peak Road, Tuen Mun	ELS works, site formation and piling works	Subcontractor	September 2013 to April 2014	7,470	236
11	1 Kong Sin Wan Road, Pok Fu Lam	ELS works	Subcontractor	June 2014 to August 2015	7,466	7,466
12	17 Shau Kei Wan Main Street East, Shau Kei Wan	ELS works and piling works	Subcontractor	April 2014 to September 2014	7,333	7,216
13	Discovery Bay Bus Terminal	Traffic sign, road marking, repaving road works	Subcontractor	October 2016 to February 2017	5,769	5,769
					347,038	317,734
Other projects with total contract sum of each less than HK\$5,000,000					20,612	13,310
Total completed projects					<u>367,650</u>	<u>331,044</u>

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Notes:

1. The project period covers the duration of our works with reference to the commencement date and the completion date of the relevant project set out in our record, in the payment certificates or practical completion certificate issued by our customer or their authorised persons, or with reference to the completion record issued by us.
2. The total contract amount means the total of the contract sum and the amount given rise from variation order(s) or the total revenue recognised from the relevant contract.

Projects on hand

The following table sets out the details of our projects in progress with total contract sum of over HK\$5,000,000 as at 31 July 2017 in descending order based on the total contract sum.

Projects in progress as at 31 July 2017

No.	Location	Type of works	Our role	Commencement date <i>(Note 1)</i>	Expected/ actual completion date	Total contract sum <i>(Note 2)</i> <i>(HK\$'000)</i>	Accumulated revenue recognised during the Track Record Period <i>(HK\$'000)</i>	Outstanding contract sum as at 31 July 2017 <i>(HK\$'000)</i>
1.	TMTL 500, Kwun Chui Road, Tuen Mun	ELS works, site formation works and piling works	Principal subcontractor	December 2016	March 2018	177,660	68,199	109,461
2.	TMTL514, Tuen Mun	ELS works and piling works	Principal subcontractor	April 2016	October 2017 <i>(Note 3)</i>	66,785	63,513	3,272
3.	43 Island Road, Deep Water Bay	ELS works and piling works	Principal subcontractor	April 2017	October 2018	45,000	5,087	39,913
4.	456-466 Sai Yeung Choi Street, Prince Edward	ELS works and piling works	Principal subcontractor	November 2016	January 2018	28,267	16,480	11,787
5.	742-744 Nathan Road, Mong Kok	ELS works, site formation works and piling works	Principal subcontractor	October 2016	January 2018	23,560	7,592	15,968
6.	1&1A Java Road, North Point	ELS works and piling works	Subcontractor	June 2017	August 2018	21,240	2,085	19,155
7.	TPTL204, Pak Shek Kok, Tai Po	ELS works	Subcontractor	July 2017	July 2018	16,461	144	16,317

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No.	Location	Type of works	Our role	Commencement date <i>(Note 1)</i>	Expected/ actual completion date	Total contract sum <i>(Note 2)</i> <i>(HK\$'000)</i>	Accumulated revenue recognised during the Track Record Period <i>(HK\$'000)</i>	Outstanding contract sum as at 31 July 2017 <i>(HK\$'000)</i>
8.	473-473A Nathan Road, Yau Ma Tei	ELS works and piling works	Principal subcontractor	January 2017	December 2017	15,326	8,491	6,835
9.	Pooi To Primary School, Ma Tau Wai	ELS works and piling works	Principal subcontractor	March 2017	December 2017	10,500	1,255	9,245
						404,799	172,846	231,953
Other projects with total contract sum of each less than HK\$5,000,000						3,909	500	3,409
Total projects in progress						<u>408,708</u>	<u>173,346</u>	<u>235,362</u>

Notes:

1. The commencement date of the relevant project is determined with reference to our record or the payment certificates issued by our customer or their authorised persons.
2. The total contract sum equals the initial contract sum and the amount derived from subsequent variation order(s) from the relevant project, if any, as agreed between our Group and the customer up to the Latest Practicable Date.
3. Subsequent to the Track Record Period, the TMTL514 project has been completed in October 2017. Save for the TMTL514 project, all of the projects disclosed in the table headed "Projects in progress as at 31 July 2017" were still on-going as the Latest Practicable Date.
4. Save for the TPPL204 project with a total contract sum of approximately HK\$16.5 million and another project in progress with total contract sum of approximately HK\$3.0 million, which were public sector projects, all of the projects completed and projects on hand of our Group were private sector projects.

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Subsequent to the Track Record Period, we have commenced works in two projects with aggregate contract sum of approximately HK\$73.1 million. The following table sets out the details of our projects which were commenced subsequent to the Track Record Period and are ongoing as at the Latest Practicable Date in descending order based on the awarded contract sum:

Projects commenced subsequent to the Track Record Period

No.	Location	Type of works	Our role	Actual commencement date	Expected completion date	Awarded contract sum <i>HK\$'000</i>
1.	Yip Kan Street and Wong Chuk Hang Road, Wong Chuk Hang	ELS works and piling works	Principal subcontractor	September 2017	November 2018	60,300
2.	TMTL547, Tuen Mun	ELS works	Subcontractor	October 2017	March 2018	12,784
						73,084

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Project backlog

Set out below is the table showing the number of our projects commenced and completed and their respective aggregate contract sum during the Track Record Period and up to the Latest Practicable Date:

	Number of contracts	Contract sum <i>HK\$'000</i>
As at 1 April 2014		
Opening backlog contracts	6	48,986
During the year ended 31 March 2015		
New contracts commenced	14	146,698
Contracts completed	11	46,713
As at 31 March 2015		
Closing/opening backlog contracts	9	148,971
During the year ended 31 March 2016		
New contracts commenced	7	78,814
Contracts completed	13	146,639
As at 31 March 2016		
Closing/opening backlog contracts	3	81,146
During the year ended 31 March 2017		
New contracts commenced	13	414,189
Contracts completed	8	88,620
As at 31 March 2017		
Closing/opening backlog contracts	8	406,715
From 1 April 2017 to the Latest Practicable Date		
New contracts commenced/to be commenced	9	160,755
Contracts completed	5	152,463
As at the Latest Practicable Date		
Closing backlog contracts	12	415,007

As at the Latest Practicable Date, the aggregate contract sum of our Group's projects on hand amounted to approximately HK\$415.0 million. Based only on our projects completed and contracts on hand, the revenue to be recognised for the year ending 31 March 2018 amounted to approximately HK\$329.1 million.

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SALES AND MARKETING

During the Track Record Period, our projects were primarily awarded by way of quotation submitted to our customers directly. Our Directors consider that our relationship with our customers, expertise, reputation in the industry and past project references are important to securing future projects as we rely on word-of-mouth by our customers to attract new referrals for future projects and the quality of services provided by us in our existing projects is also one of the keys to retain our existing customers. Our executive Directors are generally responsible for maintaining our customers' relationship, and keeping abreast of market developments and potential business opportunities. In addition, we believe that the Listing will further promote our Group to the general public, thus further enhancing our brand and future business development.

OUR CUSTOMERS

Our customers mainly consist of main contractors of construction projects which are engaged by property developers or project employers in the private sector. Apart from individual customers, some of our customers are considered as affiliated entities themselves and hence our Directors view them as our group customers and all contracts with respective related companies are consolidated. A number of our customers are recurring customers with whom we have established close working relationships and we believe they have a good understanding of our strengths and capabilities. We do not have any long-term contract with our customers and our contracts are entered into on a project-by-project basis.

For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our top five customers were Independent Third Parties, and the total revenue attributable to them amounted to approximately HK\$74.0 million, HK\$120.0 million, HK\$217.9 million and HK\$86.0 million, representing approximately 99.6%, 99.6%, 99.4% and 95.2% of our total revenue, respectively. During the same period, the total revenue attributable to our largest customer amounted to approximately HK\$29.8 million, HK\$83.3 million, HK\$106.3 million and HK\$34.9 million, representing approximately 40.1%, 69.1%, 48.5% and 38.7% of our total revenue, respectively.

None of our Directors, Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five customers during the Track Record Period. During the Track Record Period, our Group did not experience any material delay or default of payment by our major customers. As confirmed by our Directors, to their best knowledge, none of our major customers have experienced material financial difficulties that may materially affect our Group's business.

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The following tables set forth the details of our top five customers during the Track Record Period:

For the year ended 31 March 2015

Customer	Revenue (HK\$'000)	Approximate % of our total revenue (%)	Payment method	Commencement of business relationship with our Group
1 Fong On ^(Note 1)	29,798	40.1	By cheque	Since 2014
2 W.M. Group ^(Note 2)	24,064	32.4	By cheque	Since 2007
3 Workbase Engineering ^(Note 3)	12,136	16.4	By cheque	Since 2006
4 Tak Wan ^(Note 4)	7,216	9.7	By cheque	Since 2014
5 Kei Kee Shui Wah ^(Note 5)	<u>750</u>	<u>1.0</u>	By cheque	Since 2014
Subtotal	73,964	99.6		
Other customers	<u>318</u>	<u>0.4</u>		
Total	<u><u>74,282</u></u>	<u><u>100.0</u></u>		

For the year ended 31 March 2016

Customer	Revenue (HK\$'000)	Approximate % of our total revenue (%)	Payment method	Commencement of business relationship with our Group
1 Fong On ^(Note 1)	83,266	69.1	By cheque	Since 2014
2 W.M. Group ^(Note 2)	27,102	22.5	By cheque	Since 2007
3 Workbase Engineering ^(Note 3)	7,712	6.4	By cheque	Since 2006
4 Man Tat ^(Note 6)	1,200	1.0	By cheque	Since 2015
5 Forward Construction ^(Note 7)	<u>719</u>	<u>0.6</u>	By cheque	Since 2015
Subtotal	119,999	99.6		
Other customers	<u>466</u>	<u>0.4</u>		
Total	<u><u>120,465</u></u>	<u><u>100.0</u></u>		

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For the year ended 31 March 2017

Customer	Revenue (HK\$'000)	Approximate % of our total revenue (%)	Payment method	Commencement of business relationship with our Group
1 Fong On ^(Note 1)	106,285	48.5	By cheque	Since 2014
2 W.M. Group ^(Note 2)	69,184	31.5	By cheque	Since 2007
3 Vibro HK ^(Note 8)	33,461	15.3	By cheque	Since 2016
4 HK Resort ^(Note 9)	5,769	2.6	By cheque	Since 2016
5 Yung Kee ^(Note 10)	<u>3,203</u>	<u>1.5</u>	By cheque	Since 2016
Subtotal	217,902	99.4		
Other customers	<u>1,426</u>	<u>0.6</u>		
Total	<u><u>219,328</u></u>	<u><u>100.0</u></u>		

For the four months ended 31 July 2017

Customer	Revenue (HK\$'000)	Approximate % of our total revenue (%)	Payment method	Commencement of business relationship with our Group
1. Vibro HK and its associates ^(Note 11)	34,924	38.7	By cheque	Since 2016
2. W.M. Group ^(Note 2)	33,340	36.9	By cheque	Since 2007
3. Fong On ^(Note 1)	8,276	9.2	By cheque	Since 2014
4. Wise Trend ^(Note 12)	5,087	5.6	By cheque	Since 2017
5. Yung Kee ^(Note 10)	<u>4,389</u>	<u>4.8</u>	By cheque	Since 2016
Subtotal	86,016	95.2		
Other customers	<u>4,299</u>	<u>4.8</u>		
Total	<u><u>90,315</u></u>	<u><u>100.0</u></u>		

Notes:

- Fong On Construction Limited (“**Fong On**”) is a construction contractor incorporated in Hong Kong in 1998. It is a registered specialist contractor specialising in foundation works, site formation works, demolition works and ground investigation field works. Since 2003, it has also been a registered general building contractor approved by the Buildings Department. It has approximately 50 employees and has 10 construction projects with contract sum of over HK\$10 million since 2014 according to its company brochure.

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2. W.M. Group comprises W.M. Construction Limited and W.M. Foundation Company Limited incorporated in Hong Kong in 1988 and 2006, respectively, each of which is a subsidiary of Super Strong Holdings Limited (stock code: 8262) whose issued shares are listed on the Growth Enterprise Market of the Stock Exchange. The consolidated revenue of the listed group for the year ended 30 June 2017 amounted to over HK\$650 million, and the consolidated net current assets of the listed group as at 30 June 2017 amounted to over HK\$140 million according to its latest published annual report. W.M. Group is a registered specialist contractor specialising in foundation works, site formation works and demolition works. Since 2000, it has also been a registered general building contractor approved by the Buildings Department. It is also on the list of approved contractors for public works under Group B (probationary status) in the buildings category and is required to maintain a certain level of working capital as one of the financial criteria set out in the contractor management handbook published by the Development Bureau.
3. Workbase Engineering is a construction contractor incorporated in 2003 and principally operating in Hong Kong. It is a subsidiary of Basetrophy Group Holdings Limited (stock code: 8460) whose shares are listed on the Growth Enterprise Market of the Stock Exchange and the combined revenue of the listed group amounted to over HK\$100 million for the year ended 31 December 2016. The combined net current assets of the listed group as at 31 December 2016 amounted to over HK\$20 million, according to its prospectus dated 14 June 2017. Workbase Engineering is a registered subcontractor specialised in bored piles, micro piles and general civil works.
4. Tak Wan Construction & Drilling Co., Limited (“**Tak Wan**”) is a construction contractor incorporated in 2010 and principally operating in Hong Kong. It is a registered general building contractor and a registered specialist contractor in respect of foundation works and site formation works approved by the Buildings Department. It is also on the list of approved suppliers of materials and specialist contractors for public works (Group II of the “Land Piling” category for minipile and rocksocketed steel H-pile in pre-bored hole) with the Development Bureau and is required to maintain a certain level of working capital as one of the financial criteria set out in the contractor management handbook published by the Development Bureau. It has approximately 60 employees and has completed 10 construction projects with contract sum of over HK\$10 million since 2014 according to its company brochure.
5. Kei Kee Shui Wah Construction Company Limited (“**Kei Kee Shui Wah**”) is a construction contractor incorporated in 1981 and principally operating in Hong Kong. It is a registered general building contractor and a registered specialist contractor in respect of foundation works and demolition works approved by the Buildings Department. It has approximately 50 employees.
6. Man Tat Engineering Company Limited (“**Man Tat**”) is a construction contractor incorporated in 1995 and principally operating in Hong Kong. It is a registered subcontractor specialising in general civil works. It has approximately 40 employees.
7. Forward Construction Company Limited (“**Forward Construction**”) is a construction contractor incorporated in 2013 and principally operating in Hong Kong. It is a subsidiary of Win Fung Holding Limited who has applied for listing on the Main Board of the Stock Exchange in November 2017. The combined revenue of the group for the year ended 31 August 2017 amounted to over HK\$200 million, and the combined net current assets of the group as at 31 August 2017 amounted to over HK\$40 million according to its application proof prospectus. Forward Construction is a registered subcontractor specialising in multiple trade specialties in foundation and piling works, as well as concreting works, reinforcement bar fixing, building maintenance and renovation and fitting out. It is also a registered general building contractor and a registered specialist contractor in respect of foundation works and site formation works approved by the Buildings Department.
8. Vibro (H.K.) Limited (“**Vibro HK**”) is a construction contractor incorporated and operating in Hong Kong, which is a subsidiary of NWS Holdings Limited (stock code: 0659), a company listed on the Main Board of the Stock Exchange. The consolidated revenue of the listed group for the year ended 30 June 2017 amounted to over HK\$31,000 million, and the consolidated net current assets of the listed group as at 30 June 2017 amounted to over HK\$6,300 million, according to its latest published

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annual report. Vibro HK is a registered general building contractor and a registered specialist contractor in respect of foundation works, site formation works and ground investigation field works approved by the Buildings Department.

9. Hong Kong Resort Company Limited (“**HK Resort**”) is an investment holding and property development company in Hong Kong, which is a subsidiary of HKR International Limited (stock code: 0480) whose issued shares are listed on the Main Board of the Stock Exchange. The consolidated revenue of HK Resort for the year ended 31 March 2017 amounted to over HK\$1,000 million, and the consolidated net current assets of HK Resort as at 31 March 2017 amounted to over HK\$1,800 million according to the latest published annual report of the listed group. HK Resort is engaged in the development, management and provision of essential and recreational services for residential housing and leisure projects principally in Lantau Island.
10. Yung Kee Construction Company Limited (“**Yung Kee**”) is a construction contractor incorporated in 1996 and principally operating in Hong Kong. It is a registered specialist contractor in respect of demolition works approved by the Buildings Department. It has less than 10 employees.
11. Vibro HK and its associates are a group of companies comprising Vibro HK, and Hip Hing Construction Company Limited and its joint venture (“**Hip Hing**”) incorporated in Hong Kong, each of which is a subsidiary of NWS Holdings Limited (stock code: 0659). Hip Hing is a registered general building contractor and a registered specialist contractor in respect of foundation works and site formation works approved by the Buildings Department. For details of Vibro HK, please refer to note 8 above in this paragraph.
12. Wise Trend Construction Limited (“**Wise Trend**”) is a construction contractor incorporated in 2014 and principally operating in Hong Kong. It is a subsidiary of Wang Yang Holdings Limited which has applied for listing on the Main Board of the Stock Exchange in July 2017. The consolidated revenue of the group for the year ended 31 March 2017 amounted to over HK\$180 million, and the consolidated net current assets of the group as at 31 March 2017 amounted to over HK\$80 million according to its application proof prospectus. The group principally carries out foundation works and superstructure building works as a main contractor for private sector customers.

During the Track Record Period and up to the Latest Practicable Date, our Group had no dispute with or claims from our customers which would have had a material impact on our business, financial condition or results of operations.

Customer concentration

During the Track Record Period, we generated revenue from a total of 17 customers. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the percentage of our total revenue attributable to our top five customers amounted to approximately 99.6%, 99.6%, 99.4% and 95.2%, respectively. During the same period, our revenue attributable to Fong On amounted to approximately HK\$29.8 million, HK\$83.3 million, HK\$106.3 million and HK\$8.3 million, representing approximately 40.1%, 69.1%, 48.5% and 9.2% of our total revenue, respectively and our revenue attributable to W.M. Group amounted to approximately HK\$24.1 million, HK\$27.1 million, HK\$69.2 million and HK\$33.3 million, representing approximately 32.4%, 22.5%, 31.5% and 36.9% of our total revenue, respectively. The decreasing revenue contribution from Fong On to our Group subsequent to the year ended 31 March 2017 was mainly due to the completion of the TMTL434 project, the Inverness Road project and the 2A Discovery Bay project with an aggregate contract sum of approximately HK\$140.4 million by the end of 2016 and early 2017. According to the Ipsos Report, as (i) foundation and site formation projects are generally large scale and labour-intensive, while in the foundation subcontracting segment, majority players are small to medium sized companies, who may possess limited resources,

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both in specialized machinery, construction materials and skilled workforce. Given the limited capacity of subcontractors, it is common for subcontractors to focus on a few projects concurrently; and (ii) established reliable working relationship is one of the key factors of competition in the foundation subcontracting segment. Main contractors tend to delegate their projects to subcontractors with well-developed relationship due to a better understanding of their proven track record and thus it is common for subcontractors to maintain good business relationship with a few main contractors and tender most of the sub-contract works from them, and therefore there is an industry norm of limited customer base and high customer concentration in the foundation subcontracting industry.

Nevertheless, our Directors are of the view that the revenue contribution as a percentage of our total revenue by our top five customers is expected to gradually decrease going forward, having considered (i) the Listing will enhance our profile and recognition, and hence our ability to attract new business as it signifies a degree of financial strength of our Group, which in turn our Directors believe is an important factor to be taken into account by our potential customers in evaluating our quotation; (ii) the net proceeds from the Share Offer could strengthen our financial capability and provide us with additional capital to expand our capacity by strengthening our manpower and machinery fleet such that we will be able to undertake more projects concurrently; and (iii) our Group has been keen to nurture business relationship with new customers and diversify our customer base, which is also evidenced by the increasing number of invitation for quotations we received from our potential customers subsequent to the Track Record Period and up to the Latest Practicable Date.

Our relationship with Fong On and W.M. Group

To the best knowledge of our Directors, Fong On and W.M. Group principally act as the main contractors in construction projects, both of them have over 10 years of experience in the foundation and site formation industry. We have been acquainted with both Fong On and W.M. Group through customer referrals during previous business occasions and since then have developed approximately three and ten years of business relationship with Fong On and W.M. Group, respectively. After introducing our extensive experience in ELS works, coupled with our business development and expanding operational capacity for pile construction works to Fong On and W.M. Group, we were invited to provide several quotations for the subcontracting services of several technical foundation projects of Fong On and W.M. Group. We were later awarded the Tai Yau Street project by W.M. Group in 2007 and the TMTL498 project by Fong On in 2014, and both involved ELS works and piling works. Our Directors are of the view that our proactive project management approach, efficient project execution, and our capability in completing the project properly in the course of the Tai Yau Street project and TMTL498 project and has earned trust and confidence from W.M. Group and Fong On, respectively, and therefore enabled us to establish a stable and complementary business relationship with each of them since then.

In line with our Group's historical development and leveraging on the extensive experience in the foundation industry of Mr. Lee and Mr. Chan, our executive Directors, we gradually expanded our scope of services to Fong On and W.M. Group from ELS works to pile cap construction and piling works, as well as other foundation ancillary services.

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During the Track Record Period, the demand for our foundation works from Fong On and W.M. Group remained at a relatively high level in terms of number and value of contracts we undertook for them. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, we undertook foundation and other ancillary works in 1, 4, 4 and 2 projects for Fong On with aggregate contract sum of approximately HK\$78.6 million, HK\$155.1 million, HK\$155.8 million and HK\$79.3 million, respectively. As for W.M. Group, we undertook foundation and other ancillary works in 8, 5, 5 and 4 projects with aggregate contract sum of approximately HK\$80.0 million, HK\$50.9 million, HK\$121.0 million and HK\$115.9 million, respectively. Our Directors consider that our Group is one of the major subcontractors of Fong On and W.M. Group, in view that to the best knowledge of our Directors, (i) during the Track Record Period, our Group has accounted for over 30% of Fong On's and over 50% of W.M. Group's subcontracting costs in relation to foundation works; and (ii) since 2007 and 2014, we have been one of the approved subcontractors of W.M. Group and Fong On, respectively and there has been no material interruption on the business relationship between us and each of W.M. Group and Fong On.

The following tables set forth our projects on hand in which Fong On or W.M. Group is our customer as at 31 July 2017:

Our projects on hand with Fong On:

No.	Location of project	Type of works	Expected completion date	Contract sum (HK\$'000)	Accumulative revenue recognised during the Track Record Period (HK\$'000)
1.	473-473A Nathan Road, Mong Kok	ELS works and piling works	December 2017	15,326	8,491

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Our projects on hand with W.M. Group:

No.	Location of project	Type of works	Actual/ Expected completion date	Contract sum (HK\$'000)	Accumulative revenue recognised during the Track Record Period (HK\$'000)
1.	TMTL514, Tuen Mun	ELS works and piling works	October 2017	66,785	63,513
2.	Sai Yeung Choi Street, Mong Kok	ELS works and piling works	January 2018	28,267	16,480

Based only on our projects on hand and contracts completed with Fong On and W.M. Group as at the Latest Practicable Date, and assuming the projects on hand will be completed on schedule by 31 March 2018, it is expected that the revenue contribution from Fong On and W.M. Group for the year ending 31 March 2018 will amount to approximately HK\$11.1 million and HK\$48.4 million, respectively.

According to the Ipsos Report, it is common phenomenon in construction industry that maintaining good and stable relationship with several major Customers is a crucial factor for a contractor to build up its competitiveness.

Our Directors consider that we have stable and complementary relationship with Fong On and W.M. Group, in view of the steady number of contracts we had undertaken with Fong On and W.M. Group and the increasing aggregate contract sums for the projects during the Track Record Period and up to the Latest Practicable Date.

To the best knowledge and belief of the Directors, save for Mr. Chan who had worked as a project manager in W.M. Construction Limited from 2012 to 2014, none of our Group, our Directors or their respective close associates or the Shareholders (who or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company) has any historical and/or existing relationships, business or otherwise, with Fong On or W.M. Group.

Contractual arrangement with Fong On and W.M. Group

Our Directors confirmed that our Group's transactions with both Fong On and W.M. Group are based on normal commercial terms and were entered into in the ordinary and usual course of business. Consistent with our arrangements with other customers, we entered into construction contracts with Fong On and W.M. Group on a project-by-project basis. Under our agreements with Fong On and W.M. Group, the material terms generally include (i) interim payments to be made on a monthly basis with a credit term of up to 14 days from the issue of payment certificate for the interim payments; (ii) they are generally entitled to retain 10% of each interim payment and up to a maximum limit of 5% of the

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total contract sum as retention money; (iii) contra-charge arrangements for procurement of materials or payment of miscellaneous expenses on our behalf, details of which are set out in the paragraph headed “Contra-charge arrangement with our customers” below; and (iv) defects liability period of 12 months.

Sustainability of our business

Our Directors consider that the relatively small customer base and concentration of customers would not render our Company unsuitable for listing or our business model not sustainable after taking into account of the following:

We are able to undertake foundation projects with different customers to reduce the level of customer concentration

We have been providing construction works services as a subcontractor in Hong Kong since 2000. Leveraging our Group’s extensive experience in ELS works and the extensive experience in the foundation works industry of Mr. Lee, one of our executive Directors, we gradually expanded our scope of services from ELS works to piling works since 2010. Over the years, we believe that we have earned a good reputation in the foundation industry and established stable relationship with our customers. In particular, we try to differentiate ourselves from other ordinary foundation subcontractors by providing not only construction services, but also assisting our customers who are main contractors in project management and supervision of site works. Further, riding on our technical expertise and the in-depth knowledge of a wide range of construction materials and their different properties, we are capable of taking a pragmatic approach in construction and submitting economical quotations for potential projects. Our Directors believe that our established operating history with established job references allow us to consolidate our reputation and secure projects from different main contractors. For details of our competitive strengths, please refer to the paragraph headed “Our competitive strengths” in this section.

Leveraging our established track record and other competitive strengths mentioned above, if any of our major customers reduces the number of contracts with us or terminates its business relationship with us, we believe we would be able to utilise our spare operational resources to serve other existing customers and new customers in a timely manner. Furthermore, given that our foundation and site formation projects are non-recurring in nature, we enter into contract with our customers on a project-by-project basis and there is no contractual term prohibiting us from developing business relationship with new customers. Therefore, we can freely undertake foundation and site formation projects with new customers and expand our customer base, subject to availability of our machinery and manpower resources on hand.

Subsequent to the Track Record Period, our Group is registered as a specialist contractor with the Buildings Department in the foundation works and site formation works categories and can act as a main contractor for private sector projects to carry out foundation and site formation works. While we plan to continue to primarily undertake foundation projects as a subcontractor, our Directors believe that the registration of specialist contractor signifies our technical capability, and may help promote our brand, attract more

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quotations for tender, expand and diversify our customer base, and broaden our income stream. For details, please refer to the paragraph headed “Major qualifications, licenses and certifications” in this section.

Our Group has been keen to nurture business relationship with new customers and diversify our customer base. Details of our efforts to diversify our customer base are set out in the paragraph below.

We will continue to diversify our customer base and our Directors believe that the extent of customer concentration is likely to decrease in the future

We will continue to identify and take on new customers when opportunity arises and we have no intention to limit ourselves to serve only our existing customers. During the Track Record Period and up to the Latest Practicable Date, other than Fong On and W.M. Group, our Group has established business relationship with 14 new customers, from whom we were awarded 20 contracts with contract sum amounted to approximately HK\$382.2 million, representing 47.8% of our total contract sum awarded for the same period. In particular, we were awarded the first subcontracting contract with Vibro HK in respect of site formation works for a Tuen Mun residential development project in 2016 with a contract sum of over HK\$100 million. Vibro HK is a subsidiary of NWS Holdings Limited (stock code: 0659), and is one of the key main contractors in the construction industry in Hong Kong.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have submitted quotations and were in negotiation with 2 first-time customers for 7 projects with an aim to strengthening business relationships with them.

Our targeted customer base is limited to a few reputable contractors which actively take part in the foundation works sector

We have preference for and it is our priority to work with reputable and sizeable contractors which have a tendency to undertake sizeable construction projects. Given the past working experience and their relatively strong financial strength, we believe that working with these contractors would reduce our credit risk and securing future business opportunities with them would strengthen our job reference. When we decide to undertake sizeable projects with large contract sum, we would dedicate sufficient resources into these projects and may not scatter our focus to compete for other less significant projects with overlapping work programme.

During the Track Record Period, taking into account our available production capacity at that time, we prioritised our resources to cater to our major customers’ demand of our services to maintain a good business relationship with them, which gave rise to the concentration situation. In the event that any of our major customers cease to maintain a business relationship with us in the future, our Directors consider that we would have spare capacity to undertake other projects from other customers.

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Further, it is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute a substantial amount to our revenue. Therefore, if we decide to undertake a certain project with a large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us.

We have a mutual and complementary business relationship with our customers

We consider that it is mutually beneficial and complementary for both our major customers and us to maintain a close and stable business relationship with each other for the following reasons:

- (a) Our Directors believe that our major customers could benefit from our proven track record as a quality subcontractor in handling foundation projects to ensure that their projects are executed on time, within budget and in accordance with their quality standards. Our provision of quality foundation services also enabled our major customers to fulfil their responsibilities under the contractual relationships with their project employers and/or assisted them in achieving their development objectives. In particular, we possess our own machinery and construction equipment for performing different types of foundation works and we also have our own team of experienced, well-trained operations staff and workers (including project management and supervision staff, machinery operators and site workers). Our Directors consider that having a stable and regular workforce coupled with an established fleet of machinery enables our Group to cater for projects of various sizes and allows a better coordination in the deployment of labour and machinery in different projects, which in turn increases the overall efficiency and ability to handle multiple foundation projects simultaneously. The extensive experience of our project management and supervision staff have also enabled us to assist our customers in project management and site supervision, and build reliable relationship and trust among our customers, their respective employers and us.
- (b) Our Directors believe that we have a mutually beneficial relationship with our major customers. We have regularly supported our major customers in the tender bidding process due to our capability to take pragmatic approach in construction and submitting economical quotation for potential projects. Riding on our technical expertise and the knowledge of the properties of various types of construction materials, we are capable of contributing advices on foundation designs and make appropriate adjustments. For example, we may assist our major customers in formulating an alternative design after taking into account the limitations and geological conditions of the site, the loading capacity of the superstructure and other specific requirements from the employer. Such alternative design includes varying the thickness and size of a pile cap, the depth of excavation required for ELS works or the number, type and depth of piles used to achieve a more cost effective yet technically capable proposal compared to the original design contemplated in the original specifications. As such, our major customers are able to leverage our Group's strong capabilities in specialised foundation works to strengthen their tender proposition. This relationship allows our Group to enjoy a steady stream of foundation projects.

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As a result, we believe the cooperation between our Group and each of our major customers mutually benefited the respective parties in capturing economic benefits and business growth.

Our Directors believe that we are capable of maintaining our revenue growth

According to the Ipsos Report, the gross output value of the construction works performed by subcontractors experienced a growth at a CAGR of about 10.8% from 2012 to 2016 and the outlook of Hong Kong's construction industry is positive. Our Directors believe that we would be able to maintain a stable revenue growth in view of the rising demand for residential properties and the government's initiatives to increase the supply of residential properties, details of which are set out in the section headed "Industry Overview – Market drivers of the foundation subcontracting industry in Hong Kong" in this prospectus.

On the basis of the above, our Directors believe that there are plenty of market opportunities for foundation works available for our Group to further develop our customer base in the long run and reduce the extent of customer concentration.

We plan to expand our foundation construction capacity and market share

Our Directors consider that our customer concentration is in part due to the fact that we are utilising our machinery and construction equipment towards their maximum capacity. During the Track Record Period, our machinery and construction equipment were substantially deployed to different construction sites of our projects and the utilisation rates of our machinery and construction equipment significantly increased from 66.7% for the year ended 31 March 2015 to 69.4%, 84.8% and 91.5% for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. Due to the limit on the number of our machinery and construction equipment on hand, we could be restricted to undertaking a limited number of sizeable projects, hence giving rise to the customer concentration during the Track Record Period. Although we may consider renting the required machinery and construction equipment from third parties from time to time, the rental expenses will inevitably reduce our profitability. As such, we are planning to expand our capacity to undertake more projects for different customers by strengthening our machinery fleet. We intend to use approximately HK\$12.5 million from the net proceeds from the Share Offer to acquire additional machinery and construction equipment for our projects and approximately HK\$12.5 million from the net proceeds to recruit and train staff members to capture these business opportunities. We also plan to expand our market share by strengthening our financial capability in undertaking more large scale foundation projects, having taken into account their larger upfront set up costs and longer cash collection time. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.

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Contra-charge arrangement with our customers

It is common in the industry that a customer may pay on behalf of its contractor for certain expenses for a project, whereby such expenses would be deducted from its payments to that contractor in settling its contractual fees for the project. Such payment arrangement is referred to as the contra-charge arrangement and the amounts involved are referred to as the contra-charge amounts.

During the Track Record Period, we had contra-charge arrangements with some of our customers. In this context, we regard such customers as our suppliers as well. Such contra-charge included purchase cost of construction materials, utility cost, insurance cost and other miscellaneous expenses. Upon our request, or at the discretion of our customers, our customers may purchase construction materials such as concrete or pay miscellaneous expenses on our behalf, where we settled such amounts with our customers through contra-charge arrangement, in the sense that the payments due to us from our respective customers will be settled after offsetting such purchase costs. Our Directors confirmed that the contra-charge amount were charged by our customers at cost.

During the Track Record Period, as confirmed by our Directors, we had no material dispute with our customers as regards the contra-charge arrangement and the contra-charge amounts involved which would have had a material impact on our business, financial condition or results of operations.

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For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the contra-charge amounts amounted to approximately nil, HK\$2.7 million, HK\$3.9 million and HK\$4.3 million, respectively, representing approximately nil, 2.9%, 2.3% and 5.8% of our direct costs for the same periods respectively. The following table sets forth the contra-charge amounts with our major customers and their respective revenue contribution for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017:

	For the year ended 31 March						For the four months ended 31 July 2017	
	2015 (HK\$'000)	%	2016 (HK\$'000)	%	2017 (HK\$'000)	%	(HK\$'000)	%
Fong On								
Revenue derived and approximate % to our total revenue	29,798	40.1	83,266	69.1	106,285	48.5	8,276	9.2
Contra-charge amount and approximate % to our direct costs	–	–	790	0.9	–	–	–	–
W.M. Group								
Revenue derived and approximate % to our total revenue	24,064	32.4	27,102	22.5	69,184	31.5	33,340	36.9
Contra-charge amount and approximate % to our direct costs	–	–	1,907	2.0	3,041	1.8	2,957	4.0
Yung Kee								
Revenue derived and approximate % to our total revenue	–	–	–	–	3,203	1.5	4,389	4.8
Contra-charge amount and approximate % to our direct costs	–	–	–	–	18	0.0	1	0.0
Vibro HK and its associates								
Revenue derived and approximate % to our total revenue (Note 1)	–	–	–	–	33,461	15.3	34,924	38.7
Contra-charge amount and approximate % to our direct costs (Note 2)	–	–	–	–	866	0.5	1,304	1.8

Notes:

1. Include revenue attributable to Vibro HK in an amount of approximately HK\$33.5 million and HK\$34.7 million for the year ended 31 March 2017 and the four months ended 31 July 2017, respectively.
2. All of the contra-charges were charged by Vibro HK.

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Major terms of our contracts

The contracts we entered into with our customers vary from project to project, and were generally based on the standard forms provided by our customers subject to variations by the parties. The major terms of our contracts are summarised below:

Major contract terms	Description
Bills of quantities/Schedule of rates	Description and specifications of the work to be done, the quantity and the unit price.
Contract period	The period within which the project has to be completed based on the completion timeline in each contract.
Contract sum	The initial sum for carrying out the scope of work, calculated with reference to the rates and prices in the bills of quantities or schedule of rates in the contract taking into account the quantities and unit prices of construction materials and the amount and cost of labour to be used. Our contracts with customers are usually of a fixed sum without any price adjustment clauses.
Types and scope of works	The scope of services and type of works to be carried out by our Group are specified in the contract.
Terms of payment	We generally submit interim payment applications to our customers on a monthly basis. The credit term is generally 7 to 30 days from the date of invoices on progress payments of contract works. Please also refer to the paragraph headed “Business model and our operation – 3. Project execution – Customer inspection and acceptance and progress payment” in this section.
Variation orders	Our customer may from time to time during the project period order us to make variations to our works and the variations are usually valued by (i) referencing to the rates and prices in the bills of quantities or schedule of rates in the contract; or (ii) separate quotation to be agreed upon.

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Defect liability period	We are required to remain responsible for remedying any defects or imperfections discovered in relation to our works done for certain period after completion of our subcontract work. Please also refer to the paragraph headed “Business model and our operation – 5. Defect liability period” in this section.
Retention monies	Our customers are usually entitled to withhold approximately 10% of each progress payment due to us as retention monies, but the total amount of retention monies shall not exceed approximately 5% to 10% of the total sum of the subcontracts. Please also refer to the paragraph headed “Business model and our operation – 4. Practical completion of construction works and retention monies” in this section.
Insurance	In general, our customer, the main contractor of the construction project, will be responsible for the proper insurance policies against damages, claims and compensation in respect of the persons who are employed (including those employed by subcontractors) to work at the construction sites. However, such insurance costs may be shared by us if required by our customer in accordance with the contract terms. As to our machinery in the work site, we are required to maintain our own insurance policy.
Security of due performance	When we are engaged in large-scale projects, our customers may require us to provide performance deposits or, alternatively, arrange with banks or insurance companies to provide surety bonds in the amount of certain percentage, usually up to 10%, of the awarded contract sum to them to ensure our due performance and observance of a subcontract. We would provide performance deposits only if it is required by our customer in accordance with the contract terms.
Liquidated damages	Subject to the terms of the extension of the contract period, if applicable, we may be required to compensate our customers for delays in the completion of our works. Compensation, if any, is calculated on a case-by-case basis.

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Termination

If the employment of the principal contractor under the main contract is terminated before the subcontractor has fully performed its obligation under the subcontract, the principal contractor may at any time thereafter by written notice to the subcontractor forthwith terminate the subcontractor's employment under the subcontract and the subcontractor shall be entitled to be paid the full value of all work properly executed under the sub-contract.

If the subcontractor fails to execute the subcontract works or to perform its other obligations in accordance with the subcontract after being required in writing so to do by the principal contractor, then in any such event and without prejudice to any other rights to remedies, the principal contractor may by written notice to the subcontractor forthwith terminate the subcontractor's employment under the subcontract.

Our customers generally settle the payment by cheque. For discussion of our trade receivables turnover days during the Track Record Period, please refer to the section headed "Financial Information – Discussion of certain combined statements of financial position items – Trade receivables" in this prospectus.

Our Directors confirmed that we had stable long-term relationship with our customers and had no material dispute with our customers in respect of the foundation projects awarded to us during the Track Record Period.

OUR SUPPLIERS

Procurement of construction materials and services

Our suppliers (excluding our subcontractors) mainly supply us with construction materials such as concrete, steel and diesel fuel, and/or services which primarily include machinery rental and machinery repair and maintenance. For details of our subcontracting arrangement, please refer to the paragraph headed "Our suppliers – Subcontracting" in this section.

We generally order the construction materials or required services on a project-by-project basis and we did not enter into any long-term contract with our suppliers. The price is determined by reference to a pre-agreed quotation subject to fluctuations and delivery date as agreed by the parties on an order-by-order basis.

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The terms of our supply agreement generally include the type of materials or services required, the price, the quantity of materials/duration of service and the payment terms. We select our suppliers from our approved supplier list based on factors including the (i) quality of product/services; (ii) delivery time; (iii) previous working experience with the supplier; (iv) reputation of the supplier; and (v) credit period of the supplier. We generally provide the construction materials required for our projects unless otherwise stated in the agreement with our customers and our rate generally includes the costs of construction materials.

Our top five suppliers during the Track Record Period had one to eight years of business relationship with us as at the Latest Practicable Date. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, material cost incurred from our top five suppliers amounted to approximately HK\$9.6 million, HK\$12.0 million, HK\$27.9 million and HK\$13.3 million, representing approximately 18.9%, 12.9%, 16.5% and 18.0% of our direct costs, respectively. During the same period, material cost incurred from our largest supplier accounted for 5.2%, 6.3%, 7.0% and 7.2% of our direct costs, respectively.

Since there are a number of suppliers of construction materials in Hong Kong, our Directors consider that it is feasible to engage alternative suppliers of construction materials for our Group and we are not overly reliance on our suppliers of construction materials.

Our suppliers generally grant us an average credit period of 0 to 60 days for settling their invoices and we generally settle the payment by cheque. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our subcontracts due to material shortages or delays in supply of construction materials.

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The following tables set forth the details of our top five suppliers (excluding subcontractors) based on the ranking in respect of the material costs incurred during the Track Record Period:

For the year ended 31 March 2015

Supplier	Background of supplier	Types of goods/services provided by our supplier	Material costs incurred <i>HK\$'000</i>	Approximate % of our direct costs	Commencement of business relationship with our Group
Supplier A	Concrete and quarry supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Concrete	2,633	5.2	Since 2014
Supplier B	Steel supplier based in Hong Kong	Steel	2,620	5.1	Since 2009
Supplier C	Steel supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Steel	2,315	4.5	Since 2014
Supplier D	Steel supplier based in Hong Kong	Steel	1,256	2.5	Since 2013
Supplier E	Concrete supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Concrete	804	1.6	Since 2014
Total			9,628	18.9	

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For the year ended 31 March 2016

Supplier	Background of supplier	Types of goods/services provided by our supplier	Material costs incurred <i>HK\$'000</i>	Approximate % of our direct costs	Commencement of business relationship with our Group
Supplier B	Steel supplier based in Hong Kong	Steel	5,899	6.3	Since 2009
Supplier C	Steel supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Steel	4,502	4.8	Since 2014
Supplier E	Concrete supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Concrete	842	0.9	Since 2014
Supplier F	Steel supplier based in Hong Kong	Steel	434	0.5	Since 2012
Supplier G	Diesel fuel and lubricant supplier which is a subsidiary of a company listed on the GEM of the Stock Exchange	Diesel fuel and lubricant	360	0.4	Since 2012
	Total		<u>12,037</u>	<u>12.9</u>	

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For the year ended 31 March 2017

Supplier	Background of supplier	Types of goods/services provided by our supplier	Material costs incurred <i>HK\$'000</i>	Approximate % of our direct costs	Commencement of business relationship with our Group
Supplier B	Steel supplier based in Hong Kong	Steel	11,868	7.0	Since 2009
Supplier E	Concrete supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Concrete	6,186	3.7	Since 2014
Supplier C	Steel supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Steel	5,432	3.2	Since 2014
Supplier G	Diesel fuel and lubricant supplier which is a subsidiary of a company listed on the GEM of the Stock Exchange	Diesel fuel and lubricant	2,203	1.3	Since 2012
Supplier A	Concrete and quarry supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Concrete and quarry	2,191	1.3	Since 2014
	Total		<u><u>27,880</u></u>	<u><u>16.5</u></u>	

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For the four months ended 31 July 2017

Supplier	Background of supplier	Types of goods/services provided by our supplier	Material costs incurred <i>HK\$'000</i>	Approximate % of our direct costs	Commencement of business relationship with our Group
Supplier B	Steel supplier based in Hong Kong	Steel	5,319	7.2	Since 2009
Supplier C	Steel supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Steel	4,064	5.5	Since 2014
Supplier G	Diesel fuel and lubricant supplier which is a subsidiary of a company listed on the GEM of the Stock Exchange	Diesel fuel and lubricant	1,817	2.5	Since 2012
Supplier H	Concrete supplier which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Concrete	1,161	1.6	Since 2016
Supplier I	Steel supplier based in Hong Kong	Steel	928	1.2	Since 2016
	Total		<u>13,289</u>	<u>18.0</u>	

None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective associates had any interest in any of our top five suppliers during the Track Record Period.

Subcontracting

Depending on our internal resources level, cost effectiveness and level of works complexity, we may subcontract parts of a project such as reinforcement fixing works, hoarding, certain site formation and piling works to our subcontractors. Save for such specific parts of a project, we usually carry out the works by our employees. According to the Ipsos Report, multilayer subcontracting is a common practice in the construction industry in Hong Kong. Some of our subcontracts may state that we are entitled to subcontract our

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works with the consent of our customers. Although some subcontracts do not contain similar terms, we are not prohibited from subcontracting under those subcontracts. For those foundation projects which we subcontracted out during the Track Record Period, our Directors confirmed that the relevant customers allowed us to do so.

Pursuant to the subcontract with our customers, we generally have to bear responsibilities in respect of the defective works and/or delay in works of our subcontractors. As such, our Directors consider that a stringent selection for our subcontractors is necessary. We maintain an internally approved list of subcontractors in order to control our quality of works. We conduct background searches on new subcontractors, including their job references, relevant experience and comments given by customers or working parties, before they are admitted to our list of internally approved subcontractors. Our Directors and senior management will review the approved subcontractor list regularly and decide the admitting or removing subcontractor in or from our approved list in the regular management meetings. Such regular review will take into consideration a number of factors, including: (i) timely delivery of work; (ii) quality of work performed; (iii) safety and environmental compliance; and (iv) overall performance.

We generally select our subcontractors from our approved subcontractor list and invite the relevant subcontractors for quotation. The major contract terms with our subcontractors generally include: (i) scope of the subcontract work; (ii) price or unit price, as the case may be, of the subcontract work; (iii) payment terms; and (iv) retention monies, if any. In general, the duration of our subcontracting and the quality requirements as to the subcontract work are the same as those in the subcontracts that we agreed with our customers. Further, our subcontractors generally require us to arrange with the main contractors to ensure the employees' compensation insurance and contractor's all risks insurance cover their employees.

Some of the major terms of standard subcontracts agreed by us and our subcontractors are set out below:

Major contract terms	Description
Types and scope of works	The scope of services and type of works to be carried out by our subcontractors are specified in the subcontract.
Payment terms	Our subcontractors generally submit payment applications to us on a monthly basis. The credit term is generally 0 to 60 days from the date of the payment application to us.

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Major contract terms	Description
Retention monies	We are generally entitled to withhold approximately 5-10% of each progress payment due to our subcontractors as retention monies, but the total amount of retention monies shall not exceed approximately 5% of the total sum of the subcontracts.
Termination	<p>If the employment of the principal contractor under the main contract is terminated before the subcontractor has fully performed his obligation under the subcontract, the principal contractor may at any time thereafter by written notice to the subcontractor forthwith terminate the subcontractor's employment under the subcontract and the subcontractor shall be entitled to be paid the full value of all work properly executed under the subcontract.</p> <p>If the subcontractor fails to execute the subcontract works or to perform his other obligations in accordance with the subcontract after being required in writing so to do by the principal contractor, then in any such event and without prejudice to any other rights to remedies, the principal contractor may by written notice to the subcontractor forthwith terminate the subcontractor's employment under the subcontract.</p>

Apart from specific parts of works in a project, we also consider contractors providing dumper truck transportation of excavated materials as our subcontractors given their expertise in construction waste disposal and the possession of specialty vehicles. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the total subcontracting/service fee charged amounted to approximately HK\$27.4 million, HK\$62.3 million, HK\$99.5 million and HK\$38.6 million, representing approximately 53.8%, 66.8%, 58.7% and 52.1% of our direct costs, respectively. For the same periods, the subcontracting/service fee charged by our top five subcontractors amounted to approximately HK\$24.3 million, HK\$50.7 million, HK\$70.5 million and HK\$30.7 million respectively, representing approximately 47.6%, 54.5%, 41.6% and 41.4% of our direct costs, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our subcontracts due to material difficulties in identifying or engaging the required subcontractors.

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Our subcontractors generally grant us credit period of 0 to 60 days for settling their invoices and we generally settle the payment by cheque. Our Directors considered that we had stable long-term relationship with our subcontractors and confirmed that we had no material dispute with our subcontractors in respect of the projects awarded to them during the Track Record Period.

The following tables set forth the details of our top five subcontractors based on the ranking in respect of the subcontracting fees incurred by the Group during the Track Record Period:

For the year ended 31 March 2015

Subcontractor	Background of subcontractor	Types of works performed	Subcontracting/ service fee charged <i>HK\$'000</i>	Approximate % of our direct costs	Commencement of business relationship with our Group
Subcontractor A	Construction contractor incorporated and operating in Hong Kong	Bored piling works	10,065	19.7	Since 2014
Workbase Engineering	Construction contractor incorporated and operating in Hong Kong (<i>Note</i>)	Site formation works, piling works and grouting works	7,078	13.9	Since 2006
Subcontractor C	Construction contractor incorporated and operating in Hong Kong	Bored piling works	4,154	8.1	Since 2014
Subcontractor D	Construction contractor incorporated and operating in Hong Kong	Hoarding works	2,353	4.6	Since 2014
Subcontractor E	Construction contractor incorporated and operating in Hong Kong	Ground Investigation	632	1.3	Since 2014
	Total		<u>24,282</u>	<u>47.6</u>	

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For the year ended 31 March 2016

Subcontractor	Background of subcontractor	Types of works performed	Subcontracting/ service fee charged <i>HK\$'000</i>	Approximate % of our direct costs	Commencement of business relationship with our Group
Workbase Engineering	Construction contractor incorporated and operating in Hong Kong (<i>Note</i>)	Site formation works, ELS works and slope upgrading works	35,422	38.0	Since 2006
Subcontractor A	Construction contractor incorporated and operating in Hong Kong	Bored piling works	6,630	7.1	Since 2014
Subcontractor D	Construction contractor incorporated and operating in Hong Kong	Hoarding works	3,881	4.2	Since 2014
Subcontractor F	Construction contractor incorporated and operating in Hong Kong	Transportation of excavated materials	2,900	3.1	Since 2015
Subcontractor G	Construction contractor incorporated and operating in Hong Kong	Reinforcement fixing works	1,916	2.1	Since 2015
	Total		<u>50,749</u>	<u>54.5</u>	

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For the year ended 31 March 2017

Subcontractor	Background of subcontractor	Types of works performed	Subcontracting/ service fee charged <i>HK\$'000</i>	Approximate % of our direct costs	Commencement of business relationship with our Group
Workbase Engineering	Construction contractor incorporated and operating in Hong Kong (<i>Note</i>)	Site formation works, piling works and grouting works	31,998	18.9	Since 2006
Subcontractor A	Construction contractor incorporated and operating in Hong Kong	Bored piling works	21,710	12.8	Since 2014
Subcontractor H	Construction contractor incorporated and operating in Hong Kong	Transportation of excavated materials	5,752	3.4	Since 2016
Subcontractor I	Construction contractor incorporated and operating in Hong Kong	Pipe piling works and grouting works	5,577	3.3	Since 2017
Subcontractor J	Construction contractor incorporated and operating in Hong Kong	H-piling works and sheet piling works	5,499	3.2	Since 2015
	Total		<u>70,536</u>	<u>41.6</u>	

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For the four months ended 31 July 2017

Subcontractor	Background of subcontractor	Types of works performed	Subcontracting/ service fee charged <i>HK\$'000</i>	Approximate % of our direct costs	Commencement of business relationship with our Group
Workbase Engineering	Construction contractor incorporated and operating in Hong Kong (<i>Note</i>)	Site formation works, piling works and grouting works	9,269	12.5	Since 2006
Subcontractor H	Construction contractor incorporated and operating in Hong Kong	Transportation of excavated materials	8,019	10.8	Since 2016
Subcontractor K	Construction contractor incorporated and operating in Hong Kong	Piling works and ground investigation	8,011	10.8	Since 2014
Subcontractor A	Construction contractor incorporated and operating in Hong Kong	Bored piling works	4,231	5.7	Since 2014
Subcontractor I	Construction contractor incorporated and operating in Hong Kong	Pipe piling works and grouting works	1,172	1.6	Since 2017
	Total		<u>30,702</u>	<u>41.4</u>	

Note: Workbase Engineering Limited is also one of our top five customers during the Track Record Period. For further details on its multiple roles, please refer to the paragraph headed “Our suppliers – Subcontracting – Subcontractor with a dual role as our customer on other projects” in this section.

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None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five suppliers during the Track Record Period.

Concentration of suppliers and subcontractors

For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our top five suppliers accounted for approximately 18.9%, 12.9%, 16.5% and 18.0% of our direct costs whereas our largest supplier accounted for approximately 5.2%, 6.3%, 7.0% and 7.2% of our direct costs, respectively. For the same periods, our top five subcontractors accounted for approximately 47.6%, 54.5%, 41.6% and 41.4% of our direct costs whereas our largest subcontractor accounted for approximately 19.7%, 38.0%, 18.9% and 12.5% of our direct costs, respectively. Despite such concentration of suppliers and subcontractors, our Directors consider that we are not overly reliant on any single supplier or subcontractor for the following reasons:

- some of the projects undertaken by us were of relatively large contract sum and would last for a relatively longer period of time, and when we purchase materials from a supplier or engage a subcontractor for a foundation project, a substantial amount of purchase cost or subcontracting/service fee may be payable to such supplier or subcontractor (as the case may be), resulting in it becoming one of our largest suppliers or subcontractors in a financial year;
- our Directors consider that there are abundant suppliers and subcontractors providing the same kind of construction materials or services (as the case may be) in the market; and
- we maintain an internal list of approved suppliers and subcontractors which is reviewed and updated periodically. As at the Latest Practicable Date, we have 45 approved suppliers and 76 approved subcontractors on our approved list. In respect of our comprehensive list of approved suppliers and approved subcontractors, our directors already assure a reasonably diversified base of reliable suppliers and subcontractors which meet our quality standards.

Subcontractor with a dual role as our customer on other projects

During the Track Record Period, we have also provided subcontracting services and machinery rental services to Workbase Engineering through Ming Lee Foundation and Ming Lee Engineering, respectively.

Workbase Engineering is a substructure subcontractor capable of (i) foundation and site formation works, which mainly include ELS works, sheet piling, pipe piling, pre-boring, pre-bored H-piling, mini-piling as well as bored piling; and (ii) other geotechnical engineering works. It is registered as a registered subcontractor under the Subcontractors Registration Scheme of the Construction Industry Council in the structural and civil works trade group. To the best knowledge and belief of our Directors, Workbase Engineering was established and commenced its operation in providing slope works in 2003.

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We have over ten years' business relationship with Workbase Engineering and have been acquainted with Workbase Engineering through customer referrals during several business occasions since 2006. Taking into consideration the extensive experience of Workbase Engineering in slope works, and consistent with our usual subcontracting practice, we invited Workbase Engineering to submit quotations for our foundation projects which involved ancillary slope works. We awarded the first subcontracting contract to Workbase Engineering in 2006 for shotcreting works.

In respect of the subcontracting services provided by/to Workbase Engineering during the Track Record Period, the foundation works undertaken by Workbase Engineering for us involved pipe piling and mini-piling as well as rock dowels and shotcreting works, while the works undertaken by us for Workbase Engineering mainly involved pile cap construction and ELS works, which were of different nature as they involved different works type and required the use of different types of machinery and construction equipment. Moreover, the foundation works undertaken by us for Workbase Engineering and the works undertaken by Workbase Engineering for us were located at different construction sites. As we focus on business activities including project review and quotation, co-ordination, project management and other supervisory work, we subcontracted site works such as piling, rock dowels and shotcreting works to Workbase Engineering in order to optimise our allocation of resources and flexibility, which was consistent with our usual subcontracting practice. To the best knowledge and belief of our Directors, Workbase Engineering subcontracted the pile cap construction and ELS works to us to optimise their allocation of resources and flexibility.

According to the Ipsos Report, multilayer subcontracting is a common practice in the construction and foundation industry in Hong Kong. Our Directors confirmed that the subcontracting services we provided to Workbase Engineering were also rendered to other customers other than Workbase Engineering, and such subcontracting services did not have any linkage with the subcontracting works we granted to Workbase Engineering, and our Directors are of the view that the subcontracting services we received/provided were entered into in our ordinary course of business and on normal commercial terms.

In respect of the leasing of machinery to Workbase Engineering, we may occasionally lease our machinery to other third party foundation contractors, only if such machinery was not required for other projects during the relevant period. Prior to entering into any leasing arrangements, we will evaluate whether such arrangement would impede our Group's ability to complete the ongoing projects or to compete for any potential foundation projects in future. We do not actively seek or intend to actively pursue business opportunities in machinery leasing, as such activities are conducted only for increasing utilisation of idling resources. Our rental fees were determined by duration and rate of usage and whether operator for the machinery is required. Our Directors confirmed that the leasing of machinery to Workbase Engineering is in our ordinary course of business and on normal commercial terms and such practice is consistent with our usual machinery rental practice as discussed in the paragraph headed "Our machinery and construction equipment – Lease of machinery" in this section. The machinery leased to Workbase Engineering was not necessarily used for our projects, and the subcontracting contracts entered into between Workbase Engineering and us did not contain any exclusivity clause in relation to machinery leasing. Our Directors confirmed that the machinery leasing did not have any linkage with

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the construction contracts granted to our Group and there were no other side agreements, arrangements, understanding or undertakings between our Group and Workbase Engineering in connection with the machinery leasing services and subcontracting services.

	For the year ended 31 March			For the four months ended 31 July 2017
	2015	2016	2017	
Revenue from Workbase Engineering (HK\$'000)	12,136	7,712	146	–
As a % of our total revenue	16.4	6.4	0.1	–
Subcontracting fees incurred from Workbase Engineering (HK\$'000)	7,078	35,422	31,998	9,269
As a % of our direct costs	13.9	38.0	18.9	12.5

To the best knowledge and belief of our Directors, Workbase Engineering and its ultimate beneficial owner are independent third parties.

OUR MACHINERY AND CONSTRUCTION EQUIPMENT

We rely heavily on our machinery and construction equipment to complete our foundation projects. These include excavators, hydraulic breakers, air compressors and generators. We acquired machinery and construction equipment of reputable brands. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the amount incurred in acquiring machinery and construction equipment accounted for approximately HK\$10.8 million, HK\$3.3 million, HK\$12.4 million and HK\$8.0 million, respectively. As at 31 July 2017, our machinery and construction equipment had a total carrying amount of approximately HK\$20.1 million. Our major machinery and construction equipment as at 31 July 2017 are set out below:

Machinery and construction equipment	Number	Function and usage
Excavator	32	For digging of trenches, holes and foundations
Hydraulic breaker	11	For demolition, construction and quarrying
Air compressor	4	For provision of high-pressure air to power pneumatic tools
Generator	2	For generation of electricity

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The following table sets forth the type and number of our major machinery and construction equipment acquired or disposed of during the Track Record Period:

	Excavator	Hydraulic breaker	Air compressor	Generator
Beginning number of units as at 1 April 2014	18	7	2	1
Additions	8	3	–	–
Disposals	–	–	–	–
Closing number of units as at 31 March 2015	26	10	2	1
Additions	4	–	–	1
Disposals	(1)	–	–	–
Closing number of units as at 31 March 2016	29	10	2	2
Additions	8	–	–	–
Disposals	(7)	–	–	–
Closing number of units as at 31 March 2017	30	10	2	2
Additions	3	1	2	–
Disposals	(1)	–	–	–
Closing number of units as at 31 July 2017	32	11	4	2

Utilisation rate and useful life

We maintain an internal record of the usage of our major types of machinery and construction equipment including the duration and the project for which the machinery and construction equipment are occupied. Based on such record, the following table sets out the utilisation rate of our major types of machinery and construction equipment, respectively,

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during the Track Record Period (which is calculated as the total number of days for which our major types of machinery and construction equipment were occupied at our work sites in a financial year/period, divided by the total number of days in that financial year/period):

	For the year ended 31 March			For the four months ended 31 July 2017
	2015 Utilisation rate (%)	2016 Utilisation rate (%)	2017 Utilisation rate (%)	Utilisation rate (%)
Excavator	58.7	61.5	83.4	92.7
Hydraulic breaker	70.7	68.9	91.3	86.5
Air compressor	50.0	50.0	45.5	63.9
Generator	100.0	100.0	94.9	100.0

Note: Calculation of utilisation rate for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 is based on the number of days that the machinery and construction equipment were utilised (self-used for our projects or rental to our customers) during the respective period which is then divided by 365 days or the number of days for which the machinery and construction equipment existed during the financial year/period less the number of days for repair, maintenance, transportation and delivery. The utilisation rates serve as a presentation which may not have immediate and direct linkage with our Group's profits. Apart from the number in fleet, our Group's profits are also affected by various factors including the changes in fixed and variable costs for each machinery and construction equipment.

The following table sets forth the remaining useful life of our Group's machinery and construction equipment as at 31 July 2017:

Type of machinery and construction equipment	Expected useful life (years)	Average age (years)	Average remaining useful life (years)
Excavator	4 to 10	3.9	4.4
Hydraulic breaker	4 to 10	8.6	1.2
Air compressor	4 to 10	6.6	5.0
Generator	4 to 10	5.7	4.0

As at the Latest Practicable Date, our Directors consider that our existing machinery and construction equipment were in good conditions. We do not have a pre-determined or regular replacement cycle for our machinery and construction equipment and replacement decisions are made on a case-by-case basis having regard to the operating condition of individual unit of machinery and construction equipment.

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Although our Directors consider that our existing machinery and construction equipment are in good conditions in general, the probability and frequency of breakdown or malfunction of our existing machinery and construction equipment will increase as such machinery and construction equipment age. Our Directors consider that continued investments in new and high quality machinery and construction equipment are necessary in order to cope with our business development, strengthen our brand name and increase our overall efficiency, capacity and technical capability in performing foundation works. For further information regarding our plan to acquire new machinery and construction equipment, please refer to the paragraph “Business strategies” above as well as the section headed “Future Plans and Use of Proceeds” in this prospectus.

Safe keeping of machinery

Machinery that is not in use is generally stored in our warehouse. As at the Latest Practicable Date, we have rented a warehouse in Ma On Shan, New Territories, which is equipped with locked gates and closed-circuit television security cameras.

Repair and maintenance and replacement

During the Track Record Period, our machinery would be subject to normal wear and tear and when our machinery was out-of-order, it was either (i) sent to the authorised dealer for repairs if the machinery was still under warranty; or (ii) sent to other third party repair companies. The warranty period of new machinery is generally around 12 months.

We adopt a straight-line depreciation policy on our machinery for four to ten years, which our Directors believe is in line with industry norm. Similar to other property, plant and equipment, we determine the useful life of our machinery based on various factors, such as expected usage of the asset and expected physical wear and tear as well as the experience of our Group with similar assets. For details of the relevant accounting policies and estimates, please refer to note 4 of the Accountants’ Report set out in Appendix I to this prospectus.

Despite that the useful life for the machinery in general is considered to be four to ten years pursuant to the accounting policy, it serves as a referencing figure having considered the industry norm and regulatory environment relating to our business operations. The machinery if fall within the relevant regulatory regime is required to obtain relevant certifications before performing its tasks at construction sites. There is currently no restrictions imposed by the relevant regulatory regime in Hong Kong to prohibit the use of machinery with certain ages.

In general, our Directors consider that the optimal life of our machinery during which it operates most efficiently is approximately the first three to five years after it comes into operation. After such period, the efficiency of our machinery generally starts to deteriorate and the cost of maintenance gradually increases, although it may still be functional for at least 10 years. We engage third party service providers to repair and maintain our machinery on a regular basis. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our expenses in repairing and maintaining our machinery for approximately HK\$613,000, HK\$128,000, HK\$391,000 and HK\$509,000 respectively. Our

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Directors consider that with proper maintenance, the operational life of our machinery could be over 10 years. As at 31 July 2017, the average age of our machinery and construction equipment was approximately 4.7 years. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material work interruption due to malfunction of our machinery.

Lease of machinery

Our Group as lessor

Our machinery is usually mobilised among the construction sites of our projects. Unutilised machinery will be temporarily stored in our warehouse located in Ma On Shan, New Territories. Occasionally, our machinery is leased to other independent third party foundation contractors. During the Track Record Period, we leased our machinery to our customers if the machinery was not required for other projects during the relevant period. Prior to entering into any leasing arrangements, we will evaluate whether such arrangement would impede our Group's ability to complete the ongoing projects and to compete for any potential foundation projects in future. We do not actively seek or intend to actively pursue business opportunities in machinery leasing, as such activities are conducted only for increasing utilisation of idling resources. Our rental charges are determined by duration and rate of usage and whether operator for the machinery is required. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our Group derived rental income of approximately HK\$1.0 million, HK\$1.2 million, HK\$3.2 million and nil, respectively.

Our Group as lessee

From time to time, we may lease machinery and construction equipment from other independent third parties to provide us with flexibility to supplement our fleet of machinery. During the Track Record Period, machinery we rented from Independent Third Parties include generators and excavators. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, we incurred machinery leasing expenses of approximately HK\$201,000, HK\$649,000, HK\$1.5 million and HK\$931,000, respectively. With the possession of our own machinery and construction equipment, our Directors consider that we do not have to rely on our suppliers for machinery and construction equipment rental services.

Possible impact of NRMM Regulation and the Technical Circular

With the implementation of the NRMM Regulation and the Technical Circular, our Group has obtained approval or exemption for the Regulated Machines in accordance with the relevant requirements. As at the Latest Practicable Date, our Group has obtained approval or exemption for 32 Regulated Machines in accordance with the relevant requirement. 14 of them were approved NRMMs and the remaining of them were exempted NRMMs. Our other machinery and construction equipment did not fall within the Regulated Machines requirement and therefore were not subject to the NRMM Regulations.

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Pursuant to the Technical Circular, there is an implementation plan to phase out the use of four types of exempted NRMMs, namely generators, air compressors, excavators and crawler cranes. For the Regulated Machines that are exempted from the NRMM Regulation, our Directors consider that the phase out plan as detailed in the Technical Circular will not have immediate adverse impacts to our Group's business operations given our focus in business development in the private sector of the foundation industry. For details of the NRMM Regulation and the Technical Circular and the potential risks associated, please refer to the section headed "Regulatory Overview – Laws and regulations in relation to environmental protection" in this prospectus.

To the best knowledge of our Directors and upon their reasonable enquiry, in general, it is not expected that there will be any material price difference in respect of the costs of the NRMMs with similar specifications, but with different emission standards, whether approved or exempted, despite the launch of the NRMM Regulation. As our Group intends to purchase new foundation related machines which are approved NRMMs in our expansion plans, our Directors believe that there will be no material impact to our Group's financial position, and the impact shall be minimal such that there shall not be any adjustment to the estimated useful lives and no indication of any impairment loss. Our Directors consider that the existing accounting policy over depreciation and impairment loss adopted by our Group is fair and reasonable and in line with the applicable accounting standard as well as industry norm.

QUALITY CONTROL

In recognition of our quality control system, we were accredited with ISO 9001:2008 quality management system standard in October 2015. We take an active approach to monitor the progress of each project. Our site agent is responsible for supervising the overall daily activities including those executed by our subcontractors in accordance with the construction programme. In addition, Mr. Chan, our executive Director, visits our project sites from time to time to resolve any issues with our project team on a timely basis. Our project managers will also regularly monitor the activities and project status and note for any issues arising from the execution of the project. Our project managers will timely inform our executive Directors on the project status and matters of concerns. For details of their qualifications and experiences, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus.

We closely monitor the quality of purchased construction materials. To ensure the quality of supplies, we ensure that the materials are sourced from our approved suppliers list to ensure overall quality of supplies. Upon arrival of the ordered materials, the materials are sent directly to the relevant work sites for inspection by our foremen and engineers before utilisation. During the inspection, we will check (i) whether the quantity is correct; and (ii) whether there are any observable defects. In addition, our Group also engages independent professionals to perform inspection and quality tests on certain materials such as steel and concrete. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement.

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During the Track Record Period and up to the Latest Practicable Date, we did not have any quality control issues in respect of works we delivered to our customers, materials supplied by third parties and works delivered by our subcontractors which would had a material impact on our business, financial or results of operations.

MAJOR QUALIFICATIONS, LICENSES AND CERTIFICATIONS

During the Track Record Period, we acted as subcontractor to our customers in all projects undertaken. To the best knowledge, information and belief of our Directors having made all reasonable enquiry, all projects undertaken by our Group during the Track Record Period had at least one contractor registered with the Buildings Department or any other authorities (as the case may be). On this basis, our Directors are of the view that our Group was not required in its capacity as a subcontractor to hold any registration as a contractor with relevant authorities during the Track Record Period.

Our Group is registered as a registered subcontractor under the Subcontractors Registration Scheme of the Construction Industry Council. Subsequent to the Track Record Period, the Group is also registered as a specialist contractor with the Buildings Department in the categories of foundation works and site formation works. The following table summarises the details of such registration held by our Group as at the Latest Practicable Date:

Type of registration	Issuing authority	Issued to	Trade Groups	Types of works covered	Date of Expiry
Registered Subcontractor	Construction Industry Council	Ming Lee Foundation	Structural and civil, supporting services	Foundation and piling, concreting formwork, general civil works, other structural and civil trades, hoarding	23 May 2019
Registered specialist contractor	Buildings Department	Ming Lee Foundation	N/A	Site formation works	1 September 2020
Registered specialist contractor	Buildings Department	Ming Lee Foundation	N/A	Foundation works	8 September 2020

Our Directors also confirm that our Group had obtained (and renewed, as the case may be) all necessary licenses, permits, consents and approvals for our business operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date, such as registration under the Subcontractor Registration Scheme, and that all such licenses, permits, consents and approvals are valid as at the Latest Practicable Date. Under the Subcontractors Registration Scheme, renewal is required every two years and the application of renewal should be submitted within three months before expiry of the current registration by providing information and supporting documents to show continued compliance with the entry requirements.

While we plan to continue to primarily undertake foundation projects as a subcontractor, our Directors believe that the registration of specialist contractor signifies our technical capability, and may help promote our brand, attract more quotations for tender,

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expand and diversify our customer base, and broaden our income stream. To maintain our registrations of specialist contractor with the Buildings Department, Ming Lee Foundation must have a minimum of one Authorised Signatory to act for it for the purpose of the Buildings Ordinance and one Technical Director, who shall, among other things, provide technical support for the execution of works and ensure that the works are carried out in accordance with the Buildings Ordinance. As at the Latest Practicable Date, our Group has maintained Mr. Ng Tung Yin Timmons who is our project management staff for the role of Authorised Signatory, and Mr. Chan for the role of Technical Director. Renewal of the registrations of specialist contractor is required every three years. In considering an application for renewal of registration, the Building Authority may take into account, among other factors, whether the applicant is inactive in the relevant works and whether the applicant has any conviction, disciplinary or suspension records in respect of labour safety offences, malpractice or misconduct in building works or construction related activities, provisions under the Buildings Ordinance, etc.

Our Directors confirm that our Group had not experienced any material difficulties in obtaining and/or renewing the abovementioned licenses, permits, consents and approvals. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licenses, permits, consents and approvals.

In recognition of our quality control system, we have obtained a number of certifications which are set out as follows:

Certifications	Year of Grant	Description	Issuing organization	Expiry date
ISO 9001: 2008	2015	Certification of quality management system (<i>Note</i>)	Fugro Certification Services Limited	6 October 2018
ISO 14001: 2004	2015	Certification of environmental management system (<i>Note</i>)	Fugro Certification Services Limited	6 October 2018
OHSAS 18001: 2007	2015	Certification of occupational health and safety management system (<i>Note</i>)	Fugro Certification Services Limited	6 October 2018

Note: The certification concerns our design and construction of ELS, foundation and pile caps works.

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COMPETITION

According to the Ipsos Report, the foundation and site formation industry in Hong Kong is fairly consolidated with the top five players being main contractors with revenue ranging from approximately HK\$957.0 million to HK\$2,958.4 million and in aggregate had a market share of approximately 46.4% for 2016 in terms of revenue. Our Group, as one of the foundation subcontractors in the foundation industry recorded approximately HK\$120.5 million of revenue for the year ended 31 March 2016, which accounted for approximately 0.5% of the total market share of the foundation industry in Hong Kong for 2016 in terms of revenue.

As of December 2017, according to the Ipsos Report, it was estimated that there were an aggregate of over 400 foundation main contractors and subcontractors in Hong Kong. The key factors of competition for the foundation and site formation industry in Hong Kong include (i) business relationship; (ii) experience in foundation works project management and technical expertise; (iii) industry reputation and proven track record; and (iv) competitive project pricing.

We consider that our competitive advantages have contributed to our success. As such, even though the foundation industry in Hong Kong may remain competitive in the future, we are confident that we are able to withstand the intense competition with our competitive advantages. For further details of our competitive advantages, please refer to the paragraph headed “Our competitive strengths” in this section.

OUR EMPLOYEES

As at the Latest Practicable Date, we had 94 full-time employees who were directly employed by us in Hong Kong. The following table sets out the number of our employees by function:

Functional role	Number
Executive Directors and senior management	5
Finance and accounting	1
Project management and supervision	25
Administration and human resources	3
Safety and environment	2
Machinery operators	27
Site workers	31
Total:	<u>94</u>

We generally recruit our employees through placing recruitment advertisement. We recruit our employees based on a number of factors such as their work experience, educational background, qualifications or certifications possessed and vacancies. An induction training will be provided to our new employees before commencing onsite work and on-the-job training will be provided to our employees.

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We entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on their qualifications, position and seniority. 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 have not set up any trade union for our employees. We have not had any strikes or other material labour disputes that have materially disrupted our operations, during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that we have maintained a good working relationship with our employees.

OUR PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties for our operations:

Address	Use of the property	Major terms of the tenancy
Unit 1702-03, 17/F, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong	Office	Monthly rental of HK\$66,600 with tenancy period up to 30 June 2019
Portion of area at STT1950 Whitehead, Ma On Shan, New Territories	Warehouse	Monthly rental of HK\$50,000 with tenancy period up to 30 April 2019

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have registered for two trademarks and two domain names in Hong Kong.

Information relating to our intellectual property rights is set out in the paragraph headed “Statutory and General Information – B. Further information about the business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

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ENVIRONMENT

For details of the laws and regulations in relation to environmental protection applicable to our business, please refer to the section headed “Regulatory Overview – Laws and regulations in relation to environmental protection” in this prospectus. Our Directors consider that the annual cost of compliance with the applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material in the coming years.

During the Track Record Period and up to the Latest Practicable Date, we were not prosecuted for any breach of any applicable environmental laws and regulations.

In recognition of our environmental policies, we were awarded the ISO 14001:2004 certificate (environment management system accreditation) in 2015. For details, please refer to the paragraph headed “Major qualifications, licenses and certifications” in this section. We are also committed to meet the environmental requirements of certain industry’s code of practice such as BEAM Plus New Buildings issued by the Hong Kong Green Building Council Limited.

OCCUPATIONAL HEALTH AND SAFETY

Risks of accidents and injuries to workers in construction sites are inherent. We have implemented an occupational health and safety system for our employees and the employees of our subcontractors as required by the relevant occupational health and safety laws, rules and regulations. In recognition of our occupational health and safety system, we were awarded OHSAS 18001:2007 (occupational health and safety management system accreditation) certificate in 2015. For details, please refer to the paragraph headed “Major qualifications, licenses and certifications” in this section.

We have employed one qualified safety officer to monitor and implement our work safety measures on a full-time basis. Our safety officer conducts regular internal safety inspections. Our safety officer is also responsible for setting up regular safety training for our employees and employees of our subcontractors to ensure competency to perform specific assigned tasks and ensuring that a proper staff training record is kept. We ensure that regular maintenance checks and safety tests are performed on our machinery and construction equipment and only certified operators are eligible to operate our machinery. We have also engaged an external registered safety auditor to carry out safety audit twice annually.

Pursuant to our typical agreement with our customer, accidents that take place at work sites must be reported to our customer in accordance with procedures that mirror those specified in the main contract of the foundation project.

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We also maintain an internal record of all accidents. During the Track Record Period and up to the Latest Practicable Date, we recorded the following accidents:

No.	Date of the accident	Details of the accident and nature of injuries <i>(Note 1)</i>	Last date to commence an employees' compensation claim <i>(Note 2)</i>	Last date to commence a personal injury claim <i>(Note 3)</i>
1.	7 October 2014	An employee of our subcontractor injured his finger when lifting and carrying in the course of work.	6 October 2016 (expired)	6 October 2017 (expired)
2.	6 November 2014	An employee of our subcontractor suffered an injury to his back and knee when falling from a 1 meter high deck of a truck in the course of work.	5 November 2016 (expired)	5 November 2017 (expired)
3.	19 December 2014	An employee of our subcontractor suffered an injury to his eye when hammering in the course of work and metal fragments entered his eye.	18 December 2016 (expired)	18 December 2017
4.	5 December 2015	Our employee suffered an injury to his right knee while removing metal bars in the course of work and the construction materials struck his right knee.	4 December 2017 (expired)	4 December 2018
5.	7 January 2016	Our employee suffered an injury to his left knee when a metal bar fell and hit his left knee.	The injured individual has made a claim under the Employees' Compensation Ordinance.	6 January 2019
6.	22 July 2016	An employee of our subcontractor slipped and fell whilst walking away from his working area, the individual fell onto pieces of concrete on the ground and suffered a fracture on his left forearm.	21 July 2018	21 July 2019
7.	15 August 2016	Our employee sprained his right ankle whilst attempting to secure a tyre in the course of work.	14 August 2018	14 August 2019

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No.	Date of the accident	Details of the accident and nature of injuries (<i>Note 1</i>)	Last date to commence an employees' compensation claim (<i>Note 2</i>)	Last date to commence a personal injury claim (<i>Note 3</i>)
8.	7 October 2016	An employee of our subcontractor slipped and suffered an injury to his left palm when he lost his balance and pressed his left palm against concrete fragments.	6 October 2018	6 October 2019
9.	11 May 2017	An employee of our subcontractor suffered left shoulder injury whilst performing welding work and a drill pipe fell and hurt the individuals left shoulder.	10 May 2019	10 May 2020
10.	18 July 2017	An employee of our subcontractor suffered a fracture to his left little toe when a rock rolled down the slope nearby him and struck his toe whilst he was standing and sprinkling water next to a H-pile.	17 July 2019	17 July 2020

Notes:

- 1 Our Directors take the view that the potential amount to be borne by our Group in the incidents shall be covered by the relevant insurance policies as the incidents have been duly reported to the main contractor and our Group's entire conduct of its defence against such claims, if any, in the future will be taken up by the relevant insurers.
- 2 The time limit for a plaintiff to commence legal proceedings for an employees' compensation claim is two years from the date of the relevant incident.
- 3 The time limit for a personal injury claim against us under common law is three years from the date of the relevant incident.

For the years ended 31 March 2015, 2016 and 2017, and the period from 1 April 2017 up to the Latest Practicable Date, we recorded 3, 2, 3 and 2 accidents, respectively, involving injuries to workers who were either employed by our Group or by our subcontractor(s) in the corresponding period. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any other material accidents involving fatal injuries.

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The following table sets out the comparison of the accident rate per 1,000 workers and fatality rate per 1,000 workers of our Group against the relevant construction industry average rates in Hong Kong:

	Construction industry average rate (Note 1)	Our Group's rate (Note 2)
	From 1 January to 31 December 2014	For the year ended 31 March 2015
Accident rate per 1,000 workers	41.9	83.9
Fatality rate per 1,000 workers	0.24	–
	From 1 January to 31 December 2015	For the year ended 31 March 2016
Accident rate per 1,000 workers	39.1	23.3
Fatality rate per 1,000 workers	0.20	–
	From 1 January to 31 December 2016	For the year ended 31 March 2017
Accident rate per 1,000 workers	34.5	28.9
Fatality rate per 1,000 workers	0.09	–

Notes:

1. The figures are extracted from the Ipsos Report and the Occupational Safety and Health Statistics Bulletin Issue No. 17 (August 2017) by Occupational Safety and Health Branch, Labour Department, which is the latest issue as at the Latest Practicable Date.
2. Our Group's accident rate is calculated as the occurrence of accident during the financial year divided by the average construction site workers in the construction sites during the financial year and multiply the result by 1,000. The average construction site workers include employees of our Group and its subcontractors.

Our Directors considered that the accident rate of our Group for the year ended 31 March 2015 was higher than the industry average in 2014 mainly due to (i) the accident rates are calculated based on the limited number of average site workers employed by our Group and our subcontractors (36 average site workers for the year ended 31 March 2015), and such limited population size may affect the representativeness of the ratios; and (ii) the shortage of skilled workers in the construction industry in Hong Kong during the relevant period which resulted in our Group and our subcontractors having to employ more construction workers who were less experienced or with weaker safety awareness. Our Directors believe that the three accidents which occurred during the year ended 31 March 2015 were caused by the deviation of the relevant safety requirement by the workers of our subcontractors who were less experienced or with weaker safety awareness. To prevent further occurrence of accidents, our Group have reminded the workers of our Group and our subcontractors the work safety measures and provided relevant trainings to them prior to work commencement and from time to time after the project works have commenced. We will also perform spot checks on the implementation of the safety measures.

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We are committed to improving our occupational health and safety system. In 2015, we have employed a safety officer to promote occupational health and safety at sites and to ensure compliance with applicable laws and regulations in Hong Kong. We have also implemented enhanced safety measures, details of which are provided later in this section. As we expanded our employment size to cope with our business growth, and with our enhanced safety system, our Group's accident rate per 1,000 workers decreased from 83.9 for the year ended 31 March 2015 to 23.3 and 28.9 for the years ended 31 March 2016 and 2017, respectively. Going forward, our Group will continue to take sufficient safety measures and provide more safety training to increase the work safety awareness of our workers and our subcontractors in order to reduce the number of work accidents in the future.

The following table sets out the nature and type of material industrial accidents which occurred during the Track Record Period and the corresponding safety measures and requirements we undertook and implemented to prevent the occurrence of similar accidents to protect the workers of our Group and our subcontractors:

Nature and type of industrial accidents	Safety measures and requirements undertaken
Contusion, laceration, sprain and/or fracture injury caused in connection with lifting and disposing of materials and walking on uneven road surface	We always seek to minimise the needs for our workers to handle and lift heavy materials where possible. In circumstances where manual handling of heavy materials is inevitable, our Group will provide relevant facilities such as hydraulic truck cranes, loaders or carts to facilitate such manual works. Training to workers in relation to the correct handling techniques will also be conducted in accordance with the relevant rules and regulations. Workers are also required to strictly follow our Group's relevant safety rules to maintain a safe work environment and site tidiness. In circumstances where working on uneven road surface is inevitable, we require our workers to strictly follow our relevant safety guidelines, such as the use of different protective equipment, like safety shoes.

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Nature and type of industrial accidents	Safety measures and requirements undertaken
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Contusion, bruise, sprain and/or fracture injury caused in connection with falling from height	Workers are required to strictly follow our Group's relevant safety rules whilst working at height. For works to be conducted within lift shafts and at a height of two metres or above, the relevant working platforms or structures shall be inspected by a competent person before commencement of work and regularly during the course of execution of the work. Depending on the height of works, each worker is strictly required to wear safety harness.
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To ensure the abovementioned safety measures will be followed by our workers and the workers of our subcontractors, our site foreman and safety officer, as well as our executive Directors, will carry out regular visits and inspections at the foundation sites. In particular, our site foreman will stop any unsafe act and suspend any dangerous operation, and check to ensure that all plant and equipment are safe and suitable for work. Our safety officer will ensure the implementation of safety management system, communication with the safety officers of other contractors at all tiers, development of safety training program to ensure that our workers and the workers of our subcontractors are properly trained in order to follow our safety rules. Our executive Directors will regularly have safety meetings with our site foreman and safety officer to evaluate our safety rules and policies, and if necessary, update and revise the same.

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

For the financial year ended 2015	31.1
For the financial year ended 2016	8.8
For the financial year ended 2017	10.7

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries ("LTIs") occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFR is calculated as multiplying the number of lost time injuries of our Group happened in the financial year by 1,000,000 and then dividing by the number of hours worked by the workers over that financial year.
2. The number of working days of construction site workers for each of the financial years 2015, 2016 and 2017, were approximately 299 days, 295 days and 299 days respectively. It is assumed that the working hour of each worker is nine hours per day.
3. The employees of our Group and employees of our Group's subcontractors participated in our projects are included in the LTIFRs as shown above.

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The fluctuation of our Group's LTIFR during the Track Record Period is in line with the respective accident rates per 1,000 workers as disclosed above.

INSURANCE

It is common practice in the Hong Kong foundation industry, as well as a term of most foundation 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 machinery.

Projects undertaken by us and the relevant employees are respectively protected by contractors' all risks and employees' compensation insurance. Depending on the terms of the relevant contracts, such insurances are usually taken out by our customers who are the main contractors. 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. Our reliance on the main contractors' insurance policies is explicitly provided for in the relevant subcontracting agreements. However, we may be required by our customers to share the insurance cost of the contractors' all risks and employee's compensation insurance maintained by them in occasion subject to the contract terms as agreed with our customers on a project by project basis.

Our Group has adequate insurance coverage against our liabilities under employees' compensation and personal injury claims. For machinery acquired under finance leases, it is also usual practice for us to maintain insurance coverage over those machines. Our Directors believe that our current insurance policies provide sufficient coverage of the risks to which we may be exposed to and are in line with the industry norm. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our insurance expenses were approximately HK\$1.5 million, HK\$625,000, HK\$3.0 million and HK\$1.7 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

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LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

Legal proceedings

During the Track Record Period and as at the Latest Practicable Date, our Group has been involved in a number of claims, litigations and potential claims which are disclosed below under this paragraph headed “Legal proceedings and legal compliance – Legal proceedings”. During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any other litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Set out below are the details of (i) material ongoing civil litigations against our Group as at the Latest Practicable Date; and (ii) potential litigations in relation to employees’ compensation and personal injury claims against our Group as at the Latest Practicable Date. Our Directors are of the view that occurrence of personal injury claims and employees’ compensation claims is not uncommon in the construction industry and have no material impact on us.

Material ongoing civil litigations against our Group as at the Latest Practicable Date

Set out below are the details of the material ongoing civil litigations against our Group as at the Latest Practicable Date:

Particulars of the claims	Date of the incident	Defendant(s)/ Respondent(s)	Status
An employee suffered an injury to his left knee when collaborating with an excavator to provide assistance on stabilizing an iron board. The operator of the excavator lost control of the excavator and cause the grab of the excavator hitting an iron bar near the injured individual. As a result, the iron bar fell onto the injured individual’s left knee. The injured individual has made a claim under the Employees’ Compensation Ordinance.	7 January 2016	Respondent	The insurer has taken over conduct of the proceedings

Potential litigations in relation to employees’ compensation and personal injury claims against our Group as at the Latest Practicable Date

Our Group’s liabilities in a case of personal injuries to our and our subcontractors’ employees by accidents arising out of and in the course of their employment include those under (i) the Employees’ Compensation Ordinance; and (ii) common law personal injury claim. The Employees’ Compensation Ordinance establishes a no-fault, non-contributory employee compensation system which gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment,

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or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. For some of the potential claims, even if the relevant employees' compensation had been settled, the injured employees may still pursue litigation claims through personal injury claims against us under common law. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, there were 10 work injury cases arising during usual and ordinary course of our business out of which one employees' compensation claim was made against our Group. The one employees' compensation claim is still ongoing, and is covered by the relevant insurance. These potential claims arising from the aforesaid work injury cases are all within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents. As such court proceedings have not yet commenced, we are not in a position to assess the likely quantum of such potential claims. These accidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or adverse impact on our Group to obtain any licences or permits for our operation. Our Directors take the view that the potential amount to be borne by our Group in the incidents shall be covered by the relevant insurance policies as the incidents have been duly reported to the main contractor and our Group's entire conduct of its defence against such claims, if any, in the future will be taken up by the relevant insurers. Please see below for a summary of the expiry of limitation period of the aforesaid work injury cases:

Year	Number of employees' compensation claims which limitation period will expire	Number of personal injury claims which limitation period will expire
2017	1	3
2018	3	1
2019	2	4
2020	–	2
Total	6	10

Our Directors confirmed that there was no criminal conviction against our Group and we have complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

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Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity on 4 December 2017, pursuant to which our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, all losses and liabilities which may arise as a result of any non-compliance of our Group with the applicable laws, rules or regulations on or before the Listing. Further details of the Deed of Indemnity are set out in the paragraph headed “Statutory and General Information – E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors consider that during the ordinary course of our business, we are primarily exposed to (i) operational risks; (ii) credit risks; and (iii) market risks relating to the changes in macroeconomic environment.

The following set out the key risks for our business and how our Group intends to mitigate them:

Operational risks

For our business operations, we are primarily exposed to labour shortage risk, project delay risk and health and safety risk.

Labour shortage risk

The labour shortage and ageing problem has taken root in the construction industry for a number of years and our Group has leveraged on the good relationship with our labour and subcontractors to mitigate this risk. We have a list of approved subcontractors which we review and update regularly and the subcontractors we worked with had been able to call for adequate labour for their works. Our project team has regular meeting to discuss the deployment of labour, including the timing and number of workers required.

Project delay risk

Any delay in project (which may or may not be caused by us) would affect the timing of our Group’s cash inflows and outflows. Our Group regularly communicates with the main contractors, i.e. our customers, and are kept up to date regarding each site’s progress. We plan the deployment of our labour and other resources accordingly. Our accounting and finance department also forecasts the works to be done in the forthcoming months to plan our liquidity and working capital use and report to our executive Directors to consider whether contingency plans are required.

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Health and safety risk

We have adopted a safety and health policy for our staff and, when required, workers of our Group, together with those of our subcontractors, attend safety training courses organised by our customers and their safety officers qualified under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Cap. 59Z of the Laws of Hong Kong). Our safety supervisors, having obtained safety supervisor training certificate or equivalent qualification, conduct inspection on our operations and equipment to ensure all workers work in a safe environment. In addition, we regularly engage external safety consultants to carry out safety audits to assess whether our Group can continuously meet relevant regulatory requirements.

Credit risks

We are exposed to risk of increase in bad debts if the credit granted are not closely monitored by us. To minimise credit risks, we adopted the following internal control measures:

- before acceptance of a construction project, we conduct internal assessment on the customer's payment history and its reputation in the industry to form a view on its credibility and financial strength and negotiate the credit terms;
- our accounting and finance department continuously monitors all overdue payments of each project and takes necessary follow-up actions with our quantity surveyors to remind customers for the timely settlement of our payments; and
- our accounting and finance department prepares receivables ageing analysis for the presentation to our senior management and our management will review the recoverable amount and assess whether it is necessary to make any specific provisions.

Market risks

Our Group is exposed to market risks relating to changes in the social, political and economic conditions in Hong Kong. Delays in project commencement for property development, may affect our project portfolio and original plans of purchase of construction materials or deployment of labour. Our Directors closely monitor and keep abreast of the latest market development and the tender results of commercial or residential sites so as to adjust our business strategies and assess our participation in the construction projects. It is our Directors' responsibility to identify and assess the prevailing economic condition and market risks and adopt different policies from time to time to mitigate market risks.

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Risk management

We have established risk management systems consisting of relevant policies and procedures that we believe are appropriate for our business operations, including monitoring our works performance and taking active measures to manage our costs and procurement level. Pursuant to our risk management policy, our key risk management objectives include: (i) identifying different types of risks; (ii) assessing and prioritising the identified risks; (iii) developing appropriate risk management strategies for different types of risks; (iv) identifying, monitoring and managing risks and our risk tolerance level; and (v) execution of risk response measures.

Our Board oversees and manages the overall risks associated with our operations. Moreover, our audit committee will review and supervise our financial reporting process and internal control system. The audit committee consists of four members, namely Mr. Ho Chun Chung Patrick, who serves as the chairman of the committee, Mr. Chong Kam Fung, Mr. Chung Yan Yee Andrew and Mr. Shi Wai Lim William. For the qualifications and experience of these risk management team members namely our executive Directors and our financial controller, Mr. Wong Chi Wai and committee members, please refer to section headed “Directors, Senior Management and Employees” in this prospectus.

Our internal control system

We endeavor to maintain sound and effective internal control system to safeguard Shareholders’ value and our assets. In preparing for the Listing and efforts to improve our internal control system, in October 2016, we engaged Sam K. M. Ng CPA Limited (the “**IC Consultant**”), an independent internal control adviser and a corporate practice registered with the Hong Kong Institute of Certified Public Accountants, to perform evaluation under the Committee of Sponsoring Organizations of the Treadway Commission’s 2013 framework of the adequacy and effectiveness of our Group’s internal control system, including the areas of financial, operation, corporate governance, compliance and risk management. The IC Consultant has been engaged by a few listing applicants of the Stock Exchange to perform similar internal control review. The IC Consultant performed an internal control review in January 2017. Upon completion of such review, the IC Consultant identified certain findings in relation to our internal control policies and procedures and we have fully implemented all the recommended measures suggested by the IC Consultant. The IC Consultant has also performed a follow-up review in May 2017 to understand the status of our implementation of the recommended measures. The IC Consultant has formed its view that we have satisfactorily implemented all the recommended measures based on its follow-up review.

Corporate governance

In addition, it is the responsibility of our Board to ensure that we maintain a sound and effective internal control and corporate governance system to safeguard the Shareholders’ interest and our assets at all time. As such, we have adopted a series of corporate governance measures which are set out in the section headed “Relationship with our Controlling Shareholders – Corporate governance measures” in this prospectus.

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Our Directors are of the view, and the Sponsor concurs, that our Group has adequate and effective internal control measures for our operations, compliance and corporate governance.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options that may be granted under the Share Option Scheme), Simple Joy will own more than 30% of our Company's issued share capital, which is in turn wholly-owned by Mr. Lee. For the purpose of Listing Rules, Mr. Lee and Simple Joy (an investment holding company wholly-owned by Mr. Lee) are the Controlling Shareholders.

Each of our Controlling Shareholders 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.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to the business needs. As at 31 October 2017, the net amount due from director is approximately HK\$20.0 million and the sum has been settled by setting off against the dividend declared by our Company on 6 December 2017 in an amount of approximately HK\$21.9 million. The remaining amount of approximately HK\$1.9 million will be settled by cash by internal resources before listing, which is expected to be on 27 December 2017. In addition, all of the personal guarantees executed by Mr. Lee for our Group in favour of the relevant banks will be released and replaced by corporate guarantee executed by our Company upon Listing. We have received consent-in-principle from relevant banks to release such personal guarantees provided by Mr. Lee conditionally upon Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and 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.

(ii) Operational independence

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Our Directors are of the view that there is no operational dependence on the Controlling Shareholders.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main functions of our Board include the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group's policies and strategies.

Our Board comprises two executive Directors and four independent non-executive Directors. Mr. Lee and Mr. Chan are executive Directors. Mr. Lee, who is the sole director of Simple Joy is the overlapping director between our Group and the Controlling Shareholder. None of the other Directors nor members of senior management hold any directorship or position in the Controlling Shareholder.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group are independent from the Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group's business independently from the Controlling Shareholders.

RULE 8.10 OF THE LISTING RULES

Save as otherwise disclosed, our Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

LOCK-UP UNDERTAKINGS

Our Controlling Shareholders, namely Mr. Lee and Simple Joy have entered into a deed of lock-up undertaking with our Company (for itself and for the benefit of each of its subsidiary) on 4 December 2017. Pursuant to the deed of lock-up undertaking, each of the Controlling Shareholders has undertaken to the Company that it or he shall not at any time during the 24-month period following the Listing Date (the first 12 months of which is required under Rule 10.07 of the Listing Rule while the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of our Company's independent shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder.

The Controlling Shareholders believe that the above arrangement, apart from satisfying the lock-up requirement under Rule 10.07 of the Listing Rules, demonstrates their long-term commitment to our Group and confidence in its future development.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and the Controlling Shareholders, Mr. Lee and Simple Joy (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 4 December 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) 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 associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her associates has/have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (iii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition;
- (iv) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (v) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. Our independent non-executive Directors represent over half of the composition of our Board and they are professionals in different industries. We believe that the presence of our independent non-executive Directors provides a balance of view and independent judgment in the decision making process of our Board and that they will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Employees – Directors – Independent non-executive Directors” in this prospectus; and
- (vi) we have appointed Frontpage Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our Group's business. Our Board consists of six Directors, including two executive Directors and four independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
<i>Executive Directors</i>						
Mr. Lee Kim Ming (李劍明)	62	Chairman of our Board, Executive Director	8 November 2000	24 January 2017	Responsible for overall strategic management and development of our Group	None
Mr. Chan Siu Hung (陳少鴻)	44	Chief Executive Officer, Executive Director	1 September 2014	25 May 2017	Responsible for the day-to-day management and operations of our Group	None
<i>Independent non-executive Directors</i>						
Mr. Chong Kam Fung (莊金峰)	37	Independent non-executive Director	4 December 2017	4 December 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company.	None
Mr. Chung Yan Yee Andrew (鍾欣餘)	44	Independent non-executive Director	4 December 2017	4 December 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company.	None
Mr. Ho Chun Chung Patrick (何振琮)	53	Independent non-executive Director	4 December 2017	4 December 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company.	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Shi Wai Lim William (施偉廉)	39	Independent non-executive Director	4 December 2017	4 December 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company.	None

EXECUTIVE DIRECTORS

Mr. Lee Kim Ming (李劍明) (“Mr. Lee”), aged 62, the founder of our Group, was appointed to our Board on 24 January 2017 and designated as an executive Director on 25 May 2017. Mr. Lee is our Chairman and the Controlling Shareholder. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Lee is responsible for the overall strategic management and development of our Group’s business operations.

Mr. Lee has over 40 years of experience in the ELS and foundation-related industry. Mr. Lee began his career as a trainee machinery controller at Kai Ming Engineering Company from 1974 to 1975 and later joined Yat Lee Engineering Company as a machinery controller in 1976. Prior to establishing our Group, in 1977, Mr. Lee started the business of foundation works as a sole proprietorship under the business name of Ming Lee Engineering Company where he continued to gather and extend his knowledge and expertise in foundation industry by participating in different construction projects as a subcontractor focusing on ELS works. Mr. Lee later founded our Group by establishing Ming Lee Engineering and Ming Lee Foundation in 2000 and 2007 respectively. Mr. Lee has been a director of Ming Lee Engineering since November 2000 and a director of Ming Lee Foundation since August 2007. Mr. Lee is a director of all subsidiaries of our Group.

Mr. Chan Siu Hung (陳少鴻) (“Mr. Chan”), aged 44, was appointed as an executive Director on 25 May 2017. Mr. Chan is also our Chief Executive Officer. Mr. Chan is responsible for the day-to-day management and operation of our Group and is responsible for overseeing and monitoring our projects and operations.

Mr. Chan received his Bachelor of Engineering degree in Civil & Infrastructure from Royal Melbourne Institute of Technology in 2015 and is currently the Honorary President of the Hong Kong Society of Registered Safety Auditors and Review Officers. Mr. Chan has over 20 years of extensive experience in the foundation industry. Mr. Chan joined Freyssinet Hong Kong Limited in 1994 as a technician apprentice of the geotechnical division and held last position as an assistant engineer II in 1997. He later served Ping On Foundation (Construction) Limited as a site agent from 2009 to 2012. Prior to joining our Group in 2014, Mr. Chan was a project manager of W.M. Construction Limited from 2012 to 2014. Mr. Chan joined our Group in 2014 and has been a director of Ming Lee Foundation since 2015.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Yan Yee Andrew (鍾欣餘) (“**Mr. Chung**”), aged 44, was appointed as an independent non-executive Director on 4 December 2017. Mr. Chung is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Chung was qualified as a Barrister-at-Law in December 1998.

Mr. Chung earned his Bachelor of Commerce degree from the University of Toronto in June 1995. He further completed Hong Kong Common Professional Examination Certificate in Laws in June 1997 and the Postgraduate Certificate in Laws from the University of Hong Kong in September 1998. Mr. Chung further completed the Executive Development Programme on Financial Management offered by Cornell University and Nanyang Technological University in July 2011.

Mr. Chung began his career at an accounting firm from 1995 to 1997 as a senior auditor and subsequently practiced as a Barrister-at-Law until 2000. He was the chief financial officer and executive director of a listed company AGL MediaTech Holdings Limited (now known as Global Energy Resources International Group Limited) (stock code: 8192) from 2002 to 2003 and he had worked for Casino L’Arc Macau from 2007 to 2016 as chief financial officer. He has been working in Zentrum Capital Advisors Limited since 2016.

Mr. Chung was a director of the following companies incorporated in Hong Kong prior to their dissolution (but not due to members’ voluntary winding-up) with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Carrs Jones & Associates Limited (<i>Note 1</i>)	Ceased business	30 April 2009
E-Business Computing Technology Co. Limited (<i>Note 2</i>)	Ceased business	13 January 2006

Notes:

1. Carrs Jones & Associates Limited was deregistered under section 291AA of the Predecessor Companies Ordinance. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; and (c) such company has no outstanding liabilities.
2. E-Business Computing Technology Co. Limited was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

As confirmed by Mr. Chung, (i) the above companies were solvent immediately before their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of both companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Mr. Ho Chun Chung Patrick (何振琮) (“**Mr. Ho**”), aged 53, was appointed as our independent non-executive Director on 4 December 2017. Mr. Ho is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our company. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee.

Mr. Ho obtained a professional diploma in accountancy from the Hong Kong Polytechnic in November 1987 and a master degree in finance from the City University of Hong Kong in December 1996. Mr. Ho is an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) and a fellow of the Chartered Association of Certified Accountants since February 1991 and October 1995, respectively.

Mr. Ho worked in PricewaterhouseCoopers (formerly known as PriceWaterhouse) from 1987 to 1991 and served as the financial controller for Gold Peak Industries (Holdings) Limited (stock code: 40), a company listed on the Main Board of the Stock Exchange from 1992 to 2000 and Chen Hsong Holdings Limited (stock code: 57), a company listed on the Main Board of the Stock Exchange from 2002 to 2005. Mr. Ho was also served as the independent non-executive director of Tesson Holdings Limited (formerly known as Kith Holdings Limited) (Stock Code: 1201), a company listed on the Main Board of the Stock Exchange from 2014 to 2016 and Asia Investment Finance Group Limited (formerly known as Harmonic Strait Financial Holdings Limited) (stock code: 33), a company listed on the Main Board of the Stock Exchange since 2015.

Mr. Chong Kam Fung (莊金峰) (“**Mr. Chong**”), aged 37, was appointed as an independent non-executive Director on 4 December 2017. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Chong is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Chong obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2006. Mr. Chong has been a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants since April 2008 and October 2012, respectively.

From 2006 to 2013, Mr. Chong worked in PricewaterhouseCoopers in Hong Kong with his last position held as senior manager. Mr. Chong has been the company secretary of Ahsay Backup Software Development Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8290) since March 2015. In addition, Mr. Chong was appointed to serve as a non-executive director of Hao Bai International (Cayman) Limited (Stock code: 8431), a company listed on the Growth Enterprise Market of the Stock Exchange in June 2016. Mr. Chong was also appointed to serve as an independent executive director of Basetrophy Group Holdings Limited (Stock code: 8460), a company listed on the Growth Enterprise Market of the Stock Exchange in June 2017.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chong was a director of the following company incorporated in Hong Kong prior to its dissolution (but not due to members' voluntary winding-up) with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Harvestseedsynco Advisory Limited (穗智盛信諮詢有限公司) (Note 1)	Ceased business	17 April 2015

Note:

1. Harvestseedsynco Advisory Limited was deregistered under section 751 of the Companies Ordinance. Under section 751 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

As confirmed by Mr. Chong, (i) the above company was solvent immediately before its dissolution; (ii) the company was inactive at the time when it was dissolved; (iii) there was no wrongful act on his part leading to the dissolution; and (iv) he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Mr. Shi Wai Lim William (施偉廉) ("Mr. Shi"), aged 39, was appointed as an independent non-executive Director on 4 December 2017. Mr. Shi is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company. He is a member of each of the Audit Committee, Nomination Committee and the Remuneration Committee.

Mr. Shi was awarded a certificate for safety supervisor by Occupational Safety and Health Council of Hong Kong in July 1995. He completed the assistant safety officer training organised by the Construction Industry Training Authority of Hong Kong in August 1998. Mr. Shi obtained a diploma in Occupational Health and Safety from The Open University of Hong Kong in August 2000 and a Bachelor Degree in Civil Engineering from Bulacan State University in April 2006. He further obtained his Master Degree in Business Administration (Project Management) from Columbia Southern University of the United States through distance learning in September 2007. Mr. Shi has been a registered safety officer with the Labour Department under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since June 2001 and a registered safety auditor with Labour Department under the Factories and Industrial Undertakings (Safety Management) Regulations since September 2002.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Over the years, Mr. Shi has also obtained various professional qualifications and memberships including the following:

Professional qualification	Year of admission
Member of Association of Building Engineers of the United Kingdom	2007
Member of The Society of Professional Engineers of the United Kingdom	2007
Associate Member of the Royal Institution of Chartered Surveyors of the United Kingdom	2010
Accredited Safety Auditor for the independent Safety Audit Scheme	2013
Committee Member of DW Certification Limited (an accredited certification body under The Hong Kong Certification Body Accreditation Scheme)	2013
Chartered Building Engineer	2014
Fellow member of the Chartered Association of Building Engineers of the United Kingdom	2014

Mr. Shi has more than 20 years of experience in the construction industry, including construction safety and forensic safety review and audit. From 1996 to 1998, Mr. Shi was employed as a safety supervisor and Green Card trainer of Sunley Engineering & Construction Company Limited. From 1998 to 2000, Mr. Shi served as a project coordinator in Handy Construction Company Limited. Upon leaving his position at Handy Construction Company Limited in 2000, Mr. Shi joined K.H. Foundation Limited as an assistant safety officer from February 2000 till April 2001 and returned to Sunley Engineering & Construction Company Limited from July 2001 to November 2001, and served as a registered safety officer. From 2002 to 2004, Mr. Shi served as consultant in China/HK Interactive Association. From 2004 to 2006, Mr. Shi held the position of principal consultant in SA Consultants & Associates. Upon leaving his position at SA Consultants & Associates, Mr. Shi returned to Sunley Engineering & Construction Company Limited and Handy Construction Company Limited from 2006 to 2007 and 2007 to 2009, respectively, and served as safety manager. Since 2008, Mr. Shi holds the position of part time Factories and Industrial Undertakings safety auditor at Fugro Certification Services Limited. He is currently a director of Unibright Construction Company Limited, a company primarily engaged in the provision of construction consultancy services.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Shi was a director of the following companies incorporated in Hong Kong prior to their dissolution (but not due to members' voluntary winding-up) with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Kolbe Production Limited (高比制作有限公司) (<i>Note</i>)	Ceased business	27 January 2012
Kova International Holdings Limited (建輝國際集團有限公司) (<i>Note</i>)	Ceased business	25 September 2009
Lee & Shi Architect Limited (李施建築師事務所有限公司) (<i>Note</i>)	Ceased business	27 January 2012
Macau Tian Bao Yuan Agency Limited (澳門天寶園代理有限公司) (<i>Note</i>)	Ceased business	27 January 2012
Sanica Engineering Limited (順嘉工程有限公司) (<i>Note</i>)	Ceased business	7 January 2011
Sino Field International Holdings Limited (星暉國際集團有限公司) (<i>Note</i>)	Ceased business	25 September 2009

Note: Kolbe Production Limited, Kova International Holdings Limited, Lee & Shi Architect Limited, Macau Tian Bao Yuan Agency Limited, Sanica Engineering Limited and Sino Field International Holdings Limited were deregistered under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Shi confirmed that (i) the above companies were solvent immediately prior to their dissolution; (ii) there is no wrongful act on his part leading to the dissolutions of the above companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies.

Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, Controlling Shareholders, or senior management of our Company; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Tsang Kwok Ping (曾國平)	45	Construction Manager	1 December 2000	1 January 2017	Daily monitoring and supervision of sites	None
Wong Kam Ki (黃錦歧)	45	Construction Manager	7 September 2013	1 January 2017	Daily monitoring and supervision of sites	None
Wong Chi Wai (黃志偉)	31	Financial Controller	23 May 2016	23 May 2016	Overseeing our Group's financial operations, compliance matters and strategic management	None

Mr. Tsang Kwok Ping (曾國平) (“**Mr. Tsang**”), aged 45, is currently a construction manager of our Group. Mr. Tsang was previously a site foreman of our Group and was subsequently promoted to the position of site agent in 2015 and to his current position as construction manager in 2017. Mr. Tsang is primarily responsible for daily monitoring and supervision of the operations of construction sites.

Mr. Tsang has approximately 28 years of experience in the construction industry. He began his career as a machinery operator in 1989 and worked at Hang Fai Engineering Company from 1989 to 1997. In 1997, Mr. Tsang joined Ming Lee Engineering Company as a machinery operator where he was responsible for the arrangement of machinery and operators. Mr. Tsang joined our Group in 2000 and has accumulated extensive experience in the operations of the foundation industry from working on various projects involving sheet piling, site formation, and ELS works.

Mr. Wong Kam Ki (黃錦歧) (“**Mr. Wong**”), aged 45, is a construction manager of our Group. Mr. Wong joined our Group as a site foreman in 2013 and was promoted to site agent of our Group in 2014 and to construction manager of our Group in 2017. Mr. Wong is primarily responsible for daily monitoring and supervision of the operations of construction sites.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wong joined the Chevalier Group from 1990 as assistant leveller and was the assistant surveyor of the Chevalier Group when he left in 2001. Mr. Wong was then employed as assistant foremen from 2002 to 2007 at Chun Wo Construction & Engineering Co., Ltd. In September 2007, Mr. Wong joined China Metallurgical Group Corporation as foreman. Immediately prior to joining our Group, Mr. Wong held the position of general foreman at Lermond Engineering Limited from 2008 to 2013. As general foreman, Mr. Wong was responsible for arranging, coordination and supervision of different site construction activities to ensure the works meet required standards and are being carried out in compliance with the relevant safety and environmental requirements. Mr. Wong obtained the course for qualifying site supervisors as technically competent persons equivalent certificate (1) in 2002, where he completed various modules on site safety supervision, construction safety and construction supervision offered by the Construction Industry Training Authority. Furthermore, Mr. Wong satisfactorily completed the Construction Safety Supervisor Course offered by the Construction Industry Training Authority in 2003.

Mr. Wong Chi Wai (黃志偉) (“**Mr. Karl Wong**”), aged 31, is the financial controller of our Group. Mr. Karl Wong joined our Group as an accountant in 2016 and designated as financial controller on 22 August 2016. Mr. Karl Wong is primarily responsible for overseeing our Group’s financial operations, compliance matters and strategic management.

In February 2010, Mr. Karl Wong graduated from Curtin University of Technology with a Bachelor of Commerce degree in Accounting. Mr. Karl Wong has around 7 years of experience in accounting, auditing and financial management.

Prior to joining our Group, Mr. Karl Wong had worked for HLB Hodgson Impey Cheng Limited from 2011 to 2015 and his last position was senior accountant when he was promoted in 2013. He had also worked for Coface Greater China Services Limited as a management accountant from 2015 to 2016, where Mr. Karl Wong prepared and reviewed the financial and management reports for the Asia Pacific region.

COMPANY SECRETARY

Ms. Tam Kwai Heung (譚桂香) (“**Ms. Tam**”), aged 34, was appointed as the company secretary of our Company on 25 May 2017. She obtained a degree of Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in 2006 and has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2010.

Ms. Tam has over 10 years of experience in auditing, accounting and financial reporting. She worked as an accountant in PKF Hong Kong from June 2006 to February 2008. She subsequently worked for Deloitte Touche Tohmatsu as an associate in February 2008, and held last position as a senior in June 2009. From June 2009 to September 2010, Ms. Tam worked as an accountant in Rich China Industries Holdings Limited, a private group of companies engaged in toy manufacturing. From September 2010 to February 2017, Ms. Tam was the assistant finance manager of Gammon Construction Limited, a subsidiary of the Jardine Matheson Group which specialises in the provision of building and construction services. Ms. Tam is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

AUDIT COMMITTEE

Our Company has established the Audit Committee on 4 December 2017 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises four members, namely Mr. Ho Chun Chung Patrick, Mr. Chong Kam Fung, Mr. Chung Yan Yee Andrew and Mr. Shi Wai Lim William. Mr. Ho Chun Chung Patrick is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

Our Company has established the Remuneration Committee on 4 December 2017 with written terms of reference in compliance with paragraph B.1.2 of the Code. The Remuneration Committee comprises five members, namely Mr. Lee, Mr. Chung Yan Yee Andrew, Mr. Chong Kam Fung, Mr. Ho Chun Chung Patrick and Mr. Shi Wai Lim William. Mr. Chung Yan Yee Andrew is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

NOMINATION COMMITTEE

Our Company has established the Nomination Committee on 4 December 2017 with written terms of reference in compliance with paragraph A.5.2 of the Code. The Nomination Committee comprises five members, namely Mr. Lee, Mr. Chong Kam Fung, Mr. Chung Yan Yee Andrew, Mr. Ho Chun Chung Patrick and Mr. Shi Wai Lim William. Mr. Lee is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code and the associated Listing Rules. In order to comply with the requirements under the Listing Rules, in particular, the code provisions contained in the Code, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the Audit Committee, Remuneration Committee and Nomination Committee on 4 December 2017 with respective written terms of reference in accordance with the code provisions contained in the Code. Further information is set out in the paragraphs headed "Audit Committee", "Remuneration Committee" and "Nomination Committee" in this section;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders' communication policy in accordance with the code provision of the Code.
- (iii) we have arranged appropriate insurance cover on our Directors' liabilities in respect of legal actions against our Directors arising out of corporate activities;
- (iv) we have appointed four independent non-executive Directors representing more than one-third of our Board and at least one of them has accounting expertise;
- (v) the chairman of our Board is Mr. Lee whereas the chief executive of our Company is Mr. Chan. The roles of the chairman and the chief executive will be separate and distinct;
- (vi) our Directors will operate in accordance with the Articles which require the interested Director not to vote or be vaunted in the quorum on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;
- (vii) our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (viii) our Company has adopted a comprehensive compliance manual covering legal and regulatory compliance with reference of the Code;
- (ix) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (x) our Directors will attend professional development seminar including but not limit to the corporate governance to ensure ongoing compliance after Listing.

Our Company is expected to comply with the Code which sets out the principles of good corporate governance in relation to, among others, our Directors, chairman and chief executive of officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Board will review our Company's policies and practices on corporate governance from time to time. Our Company will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

Our Company has appointed Frontpage Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. As our Company's compliance adviser, Frontpage Capital assumes the responsibility to advise us on ongoing compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. Pursuant to Rule 3A.23 and 3A.24 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 was approximately HK\$598,000, HK\$1.4 million, HK\$1.7 million and HK\$553,000, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above Directors and senior management of our Group for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 was approximately HK\$1.5 million, HK\$2.5 million, HK\$3.2 million and HK\$1.1 million, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 was approximately HK\$6,000, HK\$18,000, HK\$36,000 and HK\$12,000, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

the remuneration of our Directors are set out in the section headed “Statutory and General Information – C. Further information about substantial shareholders, Directors and experts – 3. Directors’ remuneration” in Appendix IV to this prospectus.

The emoluments paid to our Group’s five highest paid individuals (including Directors) in aggregate for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 was approximately HK\$2.0 million, HK\$2.9 million, HK\$3.5 million and HK\$1.5 million, respectively. During the Track Record Period, no emolument 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.

For additional information on Directors’ remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 9 in the Accountants’ Report set out in Appendix I to this prospectus.

MANDATORY PROVIDENT FUND SCHEME

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save for the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on 4 December 2017. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will 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 forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer is set out in the table below. The table is prepared on the basis of the Share Offer becoming unconditional and the issue of the Offer Shares pursuant thereto is made as described herein. Without taking into account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise:

<i>Authorised share capital</i>	<i>HK\$</i>
2,000,000,000 Shares	20,000,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>	
10,000 Shares in issue as at the date of this prospectus	100
Shares to be issued pursuant to the Capitalisation Issue	
659,990,000 Issue	6,599,900
<u>140,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,400,000</u>
<u>800,000,000</u> Shares	<u>8,000,000</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 200,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank equally in all respects with all our Shares now in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the Listing Date save for any entitlement to the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 4 December 2017, subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Directors are authorised to allot and issue a total of 659,990,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 4 December 2017 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$6,599,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (not including Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and
- (ii) The aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (i) The conclusion of the next annual general meeting of our Company;
- (ii) The expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) The time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

SHARE CAPITAL

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our existing Shareholders passed on 4 December 2017” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Share Offer (without 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).

This mandate only relates to repurchases made on the Main Board, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to issue and repurchase Shares will remain in effect until the earliest of:

- (i) The conclusion of the next general meeting of our Company;
- (ii) The expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (iii) The time when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting,

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our 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 which would 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 any other member of our Group.

Name of Shareholder	Capacity/Nature of interest	Number of fully-paid Share(s) held/ interested in as at 19 June 2017 <i>(Note 6)</i>	Percentage of shareholding as at 19 June 2017 <i>(Note 6)</i>	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Simple Joy <i>(Note 2)</i>	Beneficial owner	1	100%	542,910,000	67.86%
Mr. Lee <i>(Note 2)</i>	Interested in a controlled corporation	1	100%	542,910,000	67.86%
Ms. Yeung <i>(Note 3)</i>	Interest of spouse	1	100%	542,910,000	67.86%
Simply Marvel <i>(Note 4)</i>	Beneficial owner	–	–	57,090,000	7.14%
Mr. Chan <i>(Note 4)</i>	Interested in a controlled corporation	–	–	57,090,000	7.14%
Ms. Fu <i>(Note 5)</i>	Interest of spouse	–	–	57,090,000	7.14%

Notes:

1. All interest stated are long positions.
2. Simple Joy is 100% owned by Mr. Lee. Therefore, Mr. Lee is deemed to be interested in all the Shares held by Simple Joy for the purpose of the SFO.
3. Ms. Yeung is the spouse of Mr. Lee. Under the SFO, Ms. Yeung is deemed to be interested in the same number of Shares in which Mr. Lee is interested.
4. Simply Marvel is 100% owned by Mr. Chan. Therefore, Mr. Chan is deemed to be interested in all the Shares held by Simply Marvel for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

5. Ms. Fu is the spouse of Mr. Chan. Under the SFO, Ms. Fu is deemed to be interested in the same number of Shares in which Mr. Chan is interested.
6. The date of filing of the application proof of this prospectus and prior to the completion of the Reorganisation.

Our Directors are not aware of any other persons who will, immediately following completion of the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the section headed “Statutory and general information – A. Further information about our Company” in Appendix IV to this prospectus), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial information included in the Accountants' Report, which has been prepared in accordance with HKFRSs, the text of which is set out in Appendix I to this prospectus, and the unaudited pro forma combined financial information set out in Appendix II to this prospectus, in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those risks set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a Hong Kong-based subcontractor principally providing foundation works including ELS works, pile cap works and pile construction, site formation work and other ancillary services such as road and drainage works for foundation projects in the private sector. During the Track Record Period, we provided our foundation works through Ming Lee Foundation, acting primarily as a principal subcontractor in our projects with our customers mainly consisting of main contractors of private foundation projects in Hong Kong. As a subcontractor, we also undertake specific parts of foundation works designated by the main contractor.

During the Track Record Period, we had 36 completed projects with recognised revenue of approximately HK\$331.0 million. As at the Latest Practicable Date, we have 12 projects on hand (including projects in progress and projects yet to commence), with a total awarded contract sum of approximately HK\$415.0 million. Please refer to the paragraph headed "Business – Business overview" to this prospectus for an overview on our business.

Our Group has generated revenue of approximately HK\$74.3 million, HK\$120.5 million, HK\$219.3 million and HK\$90.3 million for the years ended 31 March 2015, 2016, and 2017 and the four months ended 31 July 2017, respectively. Such increase was mainly attributable to the increase in sizeable foundation projects undertaken during the Track Record Period. Our net profit was approximately HK\$18.2 million, HK\$18.5 million, HK\$31.0 million and HK\$4.9 million for the same period.

BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

Our financial statements have been prepared in accordance with the HKFRSs. Throughout the Track Record Period, the entities which comprise our Group were under the control of Mr. Lee. Pursuant to the Reorganisation, which is explained in detail under the section headed "History, Development and Reorganisation" in this prospectus, our Company became the holding company of the companies now comprising our Group. The financial information relating to the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Track Record Period includes the results of operation and cash flows of the companies now comprising our Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period. The combined statements of the

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financial position of our Group as at 31 March 2015, 2016 and 2017 and 31 July 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at those dates, taking into account the respective dates of incorporation. Our financial statements are presented in Hong Kong dollar, which is our functional and presentation currency.

Further details on the basis of presentation are set out in notes 2 and 3 of the Accountants' Report set out in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION OF OUR GROUP

Our business, financial position and results of operations have been, or are expected to be significantly affected by a number of factors, including but not limited to those set forth in the section headed "Risk Factors" in this prospectus and those set forth below.

Availability of construction projects in Hong Kong

Our results of operations are affected by the number and availability of construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to the property markets in Hong Kong, the general conditions of the property markets in Hong Kong, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. Unfavourable changes in these factors may result in a significant decrease in the number of foundation projects available in Hong Kong in general. For instance, an economic downturn in Hong Kong and/or adverse governmental policies on the property markets in Hong Kong may lead to a significant decline in the number of construction projects of buildings in Hong Kong, thereby resulting in a decline in the number of foundation projects. There is no assurance that the number of construction projects in Hong Kong will not decrease in the future. Any significant increase or decrease in the availability of foundation projects in Hong Kong may materially affect our business volume and therefore our results of operations and financial condition.

Cost control and management

Our cost of sales mainly includes (i) construction materials costs; (ii) staff costs; and (iii) subcontracting charges. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the aggregate of construction materials costs, staff costs and subcontracting charges represented approximately 86.8%, 88.5%, 85.2% and 77.2% of our direct costs, respectively. Although we determine our project prices based on a cost-plus method with reference to the time and costs estimated to be involved in a project, the actual time and costs involved in completing our foundation and related projects may be adversely affected by a number of uncontrollable or unforeseen factors, including shortage and cost escalation in materials and labour, adverse weather conditions and changes in rules, regulations and policies set out by the Government. Therefore the failure to control and manage the cost and time involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

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The following tables set out the sensitivity analysis on the impact of hypothetical fluctuations in (i) costs of construction materials; (ii) direct labour; and (iii) subcontracting charges on our profit before tax during the Track Record Period, assuming all other variables remained constant.

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit before tax with a 1% and 12% increase or decrease in the cost of construction materials for the years as indicated, which correspond to the approximate CAGR in the price of steel reinforcements and Portland cement (which is a major ingredient of concrete), respectively, from 2012 to 2016 as shown in the Ipsos Report and are therefore considered reasonable for the purpose of this sensitivity analysis:

	Increase/(decrease) of our profit before tax			For the four months ended
	For the year ended 31 March			31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sensitivity analysis of cost of construction materials				
Percentage (decrease)/increase				
(12)%	1,326	1,554	3,928	1,990
(1)%	111	129	327	166
1%	(111)	(129)	(327)	(166)
12%	(1,326)	(1,554)	(3,928)	(1,990)

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit before tax with a 4% and 18% increase or decrease in subcontracting charges for the years as indicated, which correspond to the approximate minimum and maximum year-on-year fluctuations in average daily wage of construction

FINANCIAL INFORMATION

workers in the foundation contracting industry from 2012 to 2016 and are therefore considered reasonable for the purpose of this sensitivity analysis:

	Increase/(decrease) of our profit before tax			For the four months ended 31 July 2017
	For the year ended 31 March			
	2015	2016	2017	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sensitivity analysis of subcontracting charges				
Percentage (decrease)/increase				
(18)%	4,807	10,457	16,033	5,201
(4)%	1,068	2,324	3,563	1,156
4%	(1,068)	(2,324)	(3,563)	(1,156)
18%	(4,807)	(10,457)	(16,033)	(5,201)

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit before tax with a 4% and 18% increase or decrease in the staff costs for the years as indicated, which correspond to the approximate minimum and maximum year-on-year fluctuations in average daily wage of construction workers in the foundation contracting industry from 2012 to 2016 and are therefore considered reasonable for the purpose of this sensitivity analysis:

	Increase/(decrease) of our profit before tax			For the four months ended 31 July 2017
	For the year ended 31 March			
	2015	2016	2017	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sensitivity analysis of staff costs				
Percentage (decrease)/increase				
(18)%	1,165	2,062	4,065	2,100
(4)%	259	458	903	467
4%	(259)	(458)	(903)	(467)
18%	(1,165)	(2,062)	(4,065)	(2,100)

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Collectability and timing of collection of our trade receivables and retention receivables

We normally receive progress payments from our customers on a regular basis with reference to the value of works done, and a portion of such payment, which is in general up to 10% of each interim payment, and up to a maximum limit of 5% to 10% of the contract sum, is usually withheld by our customers as retention money and normally, partial of which will be remitted to us after completion of our works and the remaining of which will be remitted to us upon the agreement of the final account between our customers and us according to the contract terms. Accordingly, we may be subject to considerable credit risk and there can be no assurance that the retention money or any future retention money will be remitted by our customers to us on a timely basis and in full. As at 31 July 2017, our trade receivables amounted to approximately HK\$15.2 million and our retention receivables included in the gross amounts due from our customers for contract work amounted to approximately HK\$22.8 million. Any late payment, whether arising from payment practice of our customers or delay in completion of our projects, may adversely affect our future liquidity position.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group's financial statements have been prepared in accordance with HKFRSs. The significant accounting policies adopted by our Group are set forth in details in the Accountants' Report set out in Appendix I to this prospectus. Some of the accounting policies involve subjective judgments, estimates, and assumptions made by our management, all of which are subject to inherent uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be reasonable under the circumstances.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Our revenue from foundation engineering service contracts is based on the stage of completion at the end of each reporting period in accordance with the policy as described under the paragraph headed "Engineering service contracts" below. The percentage of completion of a contract is established with reference to the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs.

Further details on our Group's policy for revenue recognition are set out in note 4 of the Accountants' Report set out in Appendix I to this prospectus.

Engineering service contracts

Engineering service contract revenue comprises the agreed contract amount and appropriate amounts for the variation orders, claims and incentive payments. Engineering service contract costs comprise direct materials, subcontracting charges, direct labour and an appropriate portion of variable and fixed construction overheads.

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When the outcome of an engineering service contract can be estimated reliably, revenue and costs associated with the engineering service contract are recognised by reference to the stage of completion of the contract activity at the end of each reporting period. When the outcome of an engineering service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period 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 progress billings exceed contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract work. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amounts due to customers for contract work.

Further details on our Group's policy for engineering service contracts are set out in note 4 of the Accountants' Report set out in Appendix I to this prospectus.

Allowance for trade and other receivables

Our Group recognises impairment loss for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the creditworthiness and the past collection history of each customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our Group has provided approximately HK\$65,000, nil, nil and nil allowance for bad and doubtful debts, respectively.

Other significant accounting policies, estimates and judgements

Please refer to Note 4 of the Accountants' Report in Appendix I to this prospectus for other significant accounting policies and estimates applied in preparation of our combined financial statements.

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RESULTS OF OPERATIONS

Combined statements of profit or loss and other comprehensive income

The following combined statements of profit or loss and other comprehensive income during the Track Record Period are derived from, and should be read in conjunction with our combined financial information, including the notes thereto, included in the Accountants' Report of our Group set forth in Appendix I to this prospectus.

	For the year ended 31 March			For the four months ended 31 July	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
				<i>(unaudited)</i>	
Revenue	74,282	120,465	219,328	37,634	90,315
Direct costs	<u>(50,981)</u>	<u>(93,281)</u>	<u>(169,339)</u>	<u>(29,069)</u>	<u>(74,010)</u>
Gross profit	23,301	27,184	49,989	8,565	16,305
Other income	1,003	1,509	3,364	3,159	578
Other gains and losses	47	290	65	–	150
Administrative expenses	(2,437)	(6,452)	(12,983)	(3,144)	(5,220)
Listing expenses	–	–	(2,292)	–	(4,673)
Finance costs	<u>(132)</u>	<u>(244)</u>	<u>(623)</u>	<u>(131)</u>	<u>(357)</u>
Profit before taxation	21,782	22,287	37,520	8,449	6,783
Income tax expense	<u>(3,609)</u>	<u>(3,757)</u>	<u>(6,565)</u>	<u>(1,432)</u>	<u>(1,890)</u>
Profit and total comprehensive income for the year/period	<u>18,173</u>	<u>18,530</u>	<u>30,955</u>	<u>7,017</u>	<u>4,893</u>
Profit and total comprehensive income attributable to:					
Owners of our Company	18,173	17,601	27,973	6,653	3,942
Non-controlling interests	<u>–</u>	<u>929</u>	<u>2,982</u>	<u>364</u>	<u>951</u>
	<u>18,173</u>	<u>18,530</u>	<u>30,955</u>	<u>7,017</u>	<u>4,893</u>

FINANCIAL INFORMATION

KEY COMPONENTS IN OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was predominantly derived from our provision of foundation works in the private sector. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, we recorded revenue amounted to approximately HK\$74.3 million, HK\$120.5 million, HK\$219.3 million and HK\$90.3 million, respectively. Please refer to the paragraph headed “Period to period comparison of results of operations” in this section for a discussion of the change in the amount of revenue during the Track Record Period.

Revenue by projects

During the Track Record Period, we have completed 36 projects. As at the Latest Practicable Date, we have 12 projects on hand (including projects in progress and projects yet to commence). The following table sets out the list of projects carried out by us with a total contract sum of over HK\$5,000,000 during the Track Record Period:

No.	Location	Revenue recognised before the Track Record Period	Revenue recognised for the year ended 31 March			Revenue recognised for the four months ended 31 July 2017	Accumulated revenue recognised during the Track Record Period	Percentage of completion as at 31 July 2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
1	TMTL498, Tuen Mun	–	29,798	48,795	–	–	78,593	100.0%
2	2A Discovery Bay	–	–	–	60,021	3,999	64,020	100.0%
3	TMTL514, Tuen Mun	–	–	–	46,046	17,467	63,513	95.1%
4	TMTL434, Siu Lam, Tuen Mun	–	–	19,907	19,188	–	39,095	100.0%
5	14-20 Inverness Road, Kowloon Tong	–	–	14,463	22,863	–	37,326	100.0%
6	TMTL500, Kwun Chui Road, Tuen Mun	–	–	–	33,461	34,738	68,199	38.4%
7	69-83 Shun Ning Road, Cheung Sha Wan	–	6,967	24,755	–	–	31,722	100.0%
8	189-193 Pei Ho Street, Sham Shui Po	–	6,897	7,712	–	–	14,609	100.0%
9	78-80 Maidstone Road, To Kwa Wan	–	–	–	14,126	6,471	20,597	100.0%
10	456-466 Sai Yeung Choi Street, Prince Edward	–	–	–	7,639	8,841	16,480	58.3%
11	Discovery Bay Phase 16	–	6,234	1,397	–	–	7,631	100.0%
12	1 Kong Sin Wan Road, Pok Fu Lam	–	7,196	270	–	–	7,466	100.0%
13	17 Shau Kei Wan Main Street East, Shau Kei Wan	117	7,216	–	–	–	7,216	100.0%
14	Discovery Bay Bus Terminal (Note 1)	–	–	–	5,769	–	5,769	100.0%
15	473-473A Nathan Road, Yau Ma Tei	–	–	–	4,214	4,277	8,491	55.4%
16	742-744 Nathan Road, Mong Kok	–	–	–	3,203	4,389	7,592	32.2%
17	TMTL436, Siu Lam, Tuen Mun (Note 2)	21,953	3,154	–	–	300	3,454	100.0%

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No.	Location	Revenue recognised before the Track Record Period	Revenue recognised for the year ended 31 March			Revenue recognised for the four months ended 31 July 2017	Accumulated revenue recognised during the Track Record Period	Percentage of completion as at 31 July 2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
18	Pooi To Primary School, Ma Tau Wai	–	–	–	300	955	1,255	12.0%
19	45 Castle Peak Road, Tuen Mun	7,235	236	–	–	–	236	100.0%
20	43 Island Road, Deep Water Bay	–	–	–	–	5,087	5,087	11.3%
21	1&1A Java Road, North Point	–	–	–	–	2,085	2,085	9.8%
22	TPTL204, Pak Shek Kok, Tai Po (Note 3)	–	–	–	–	144	144	0.9%
		29,304	67,698	117,299	216,830	88,753	490,580	N/A
	Other projects with total contract sum of each less than HK\$5,000,000 (Note 3)	7,303	6,584	3,166	2,498	1,562	13,810	N/A
		<u>36,607</u>	<u>74,282</u>	<u>120,465</u>	<u>219,328</u>	<u>90,315</u>	<u>504,390</u>	

Notes:

- The contract was related to the construction of bus terminals, and the organizing of traffic sign, road marking and repaving road works in ancillary to the construction, which was categorised as other ancillary services.
- The TMTL436 project was completed in June 2014. Our Group recognised approximately HK\$300,000 revenue from the project for the four months ended 31 July 2017 due to the true up adjustment as per the final account issued by our customer.
- Save for the TPTL204 project with a total contract sum of approximately HK\$16.5 million and another project in progress with a total contract sum of approximately HK\$3.0 million, which were public sector projects and have contributed revenue to our Group during the Track Record Period, all other projects of our Group were private sector projects during the Track Record Period.

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Set out below is an analysis of our projects based on their respective revenues recognised during each of the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017:

	For the year ended 31 March								
	2015			2016			2017		
	Projects brought forward	New projects	Total number of projects	Projects brought forward	New projects	Total number of projects	Projects brought forward	New projects	Total number of projects
Revenue recognised									
HK\$10 million or above	–	1	1	2	2	4	2	4	6
HK\$5 million to HK\$10 million	1	4	5	1	–	1	–	2	2
HK\$1 million to HK\$5 million	1	2	3	1	–	1	–	2	2
Below HK\$1 million	4	7	11	5	5	10	1	5	6
Total	6	14	20	9	7	16	3	13	16

	For the four months ended 31 July					
	2016			2017		
	Projects bought forward	New projects	Total number of projects	Projects bought forward	New projects	Total number of projects
Revenue recognised						
HK\$10 million or above	–	–	–	2	–	2
HK\$5 million to HK\$10 million	2	2	4	2	1	3
HK\$1 million to HK\$5 million	–	1	1	3	1	4
Below HK\$1 million	1	2	3	2	5	7
Total	3	5	8	9	7	16

The table below sets out a breakdown of our revenue by type of projects undertaken during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	% to total revenue	HK\$'000	% to total revenue	HK\$'000	% to total revenue	HK\$'000	% to total revenue	HK\$'000	% to total revenue
Projects with design input (Note)	43,228	58.2	64,925	53.9	52,344	23.9	12,027	32.0	32,105	35.5
Build-only projects	31,054	41.8	55,540	46.1	166,984	76.1	25,607	68.0	58,210	64.5
Total	74,282	100.0	120,465	100.0	219,328	100.0	37,634	100.0	90,315	100.0

Note: Include the projects in which we have reviewed and provided advice on the foundation design prepared by the consultants, engineers or architects of the employer of the project.

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Direct costs

The following table sets forth the components of our direct costs, by amount and as a percentage of total direct costs, for the periods indicated:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Direct costs										
Costs of construction materials	11,053	21.7	12,946	13.9	32,734	19.3	6,993	24.1	16,580	22.4
Staff costs	6,474	12.7	11,455	12.3	22,582	13.3	5,282	18.2	11,669	15.8
Subcontracting charges	26,703	52.4	58,093	62.3	89,073	52.6	12,393	42.6	28,896	39.0
Depreciation charges	3,583	7.0	3,263	3.5	4,405	2.6	1,368	4.7	1,035	1.4
Machinery and equipment leasing expense	201	0.4	649	0.7	1,504	0.9	210	0.7	931	1.3
Transportation expenses	732	1.4	4,158	4.5	10,378	6.1	800	2.7	9,675	13.1
Others	2,235	4.4	2,717	2.8	8,663	5.2	2,023	7.0	5,224	7.0
Total	50,981	100.0	93,281	100.0	169,339	100.0	29,069	100.0	74,010	100.0

Costs of construction materials

Costs of construction materials mainly represent direct costs for the purchase of construction materials, such as concrete, machinery spare parts and loose tools, steel reinforcement and H-piles, that are directly attributed to our construction works. Costs of construction materials amounted to approximately HK\$11.1 million, HK\$12.9 million, HK\$32.7 million and HK\$16.6 million, representing 21.7%, 13.9%, 19.3% and 22.4% of our direct costs for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. Our costs of construction materials consumed may vary from project to project, as (i) the consumption of raw materials vary according to different types of works performed, for example, the use of steel is usually higher in piling works than in site formation works; and (ii) the costs of construction materials may be agreed to be borne by us or by our customers or subcontractors depending on our contract terms with different customers and subcontractors, resulting in fluctuations in the proportions of these costs from project to project. Costs agreed to be borne by our subcontractors are also generally reflected in the subcontracting charges. During the Track Record Period, the increase in costs of construction materials was mainly due to the increase in the number of sizeable projects undertaken.

Given that the construction materials are usually delivered by our suppliers to our project sites directly for immediate consumption, we generally do not stock up any excess inventory of construction materials at our project sites. Due to the limitation of the storage in the field work, our project managers are responsible for the overall scheduling of orders and deliveries of the materials, so as to match materials deliveries with the project's requirements. As such, our Group did not have any significant amount of uninstalled materials as at the end of each reporting period. Therefore, the financial impact of the uninstalled materials in the application of HKFRS 15 is considered to be insignificant.

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Staff costs

Staff costs represent the labour cost directly incurred for the provision of our works. Staff costs amounted to approximately HK\$6.5 million, HK\$11.5 million, HK\$22.6 million and HK\$11.7 million, representing approximately 12.7%, 12.3%, 13.3% and 15.8% of our total direct costs for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. To cope with increasing workload posed by our business expansion, we have deployed more labour resources to carry out construction works and project management throughout the Track Record Period.

Subcontracting charges

Subcontracting charges represent the fees incurred for our subcontractors, who mainly perform reinforcement fixing works, hoarding, certain site formation and piling works for us. Subcontracting charges amounted to approximately HK\$26.7 million, HK\$58.1 million and HK\$89.1 million, representing approximately 52.4%, 62.3% and 52.6% of our total direct costs for the years ended 31 March 2015, 2016 and 2017, respectively. Our increasing subcontracting charges during the Track Record Period was primarily due to the increase in value of works subcontracted which was in line with the increase in number of sizeable contracts undertaken by us and the revenue recognised during the respective year. For the four months ended 31 July 2017, our subcontracting charges was approximately HK\$28.9 million, representing approximately 39.0% of our total direct costs. During the four months ended 31 July 2017, our subcontracting charges as a percentage of total direct costs decreased mainly because we undertook substantial ELS works with our own staff and machinery in the TMTL500 project, which had resulted in a higher proportion of staff costs and transportation expenses for construction waste incurred as compared with the three years ended 31 March 2017.

Depreciation charges

Depreciation charges mainly represent the depreciation of equipment, machinery and motor vehicles for carrying out the construction works. Depreciation charges amounted to approximately HK\$3.6 million, HK\$3.3 million, HK\$4.4 million and HK\$1.0 million, representing approximately 7.0%, 3.5%, 2.6% and 1.4% of our total direct costs for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. The increase in depreciation charges for the year ended 31 March 2017 was mainly due to the additional machinery and construction equipment acquired to support our business expansion.

Machinery and equipment leasing expenses

Machinery and equipment leasing expenses represent the rental expenses for the lease of machinery to supplement our own machinery fleet. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, machinery and construction equipment we rented include cranes, generators and excavators, and we incurred machinery and equipment leasing expenses of approximately HK\$201,000, HK\$649,000, HK\$1.5 million and HK\$931,000, respectively. Such increase was mainly resulted from (i) the increase in number of sizeable projects undertaken; and (ii) our own machinery and construction equipment had

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been highly utilised since 2016, and therefore we have to rent machinery from our suppliers to carry out the increasing amount of construction works. For details of the lease of machinery, please refer to the paragraph headed “Business – Our machinery and construction equipment” in this prospectus.

Transportation expenses

Transportation expenses primarily represent expenses for transporting of the construction wastes resulting from our foundation services from work sites to landfills, and fees for transporting our machinery to or from work sites. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, we incurred transportation expenses of approximately HK\$732,000, HK\$4.2 million, HK\$10.4 million and HK\$9.7 million, respectively. Such increase was mainly driven by the increase in scale of construction works undertaken by our Group. In particular, we have undertaken large amount of excavation works in the TMTL500 project and the 2A Discovery Bay project during the year ended 31 March 2017 and the four months ended 31 July 2017, resulting in more construction waste to be transported.

Others

Other costs mainly consist of testing and inspection fees, insurance coverage, repair and maintenance, security costs and motor vehicles expenses. The amounts in aggregate were approximately HK\$2.2 million, HK\$2.7 million, HK\$8.7 million and HK\$5.2 million for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. The increase in other direct costs for the year ended 31 March 2017 and the four months ended 31 July 2017 was mainly due to the higher costs for load testing, materials checking and inspection costs on the site condition driven by the increase in scale of works undertaken by our Group. The sharing of project insurance cost for our two large scale foundation works projects in TMTL 500 and 2A Discovery Bay as required by our customers also increased our other direct costs in the respective periods.

Gross profit and gross profit margin

The following table sets forth our gross profits and gross profit margins for the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
				<i>(unaudited)</i>	
Gross profit (HK\$'000)	23,301	27,184	49,989	8,565	16,305
Gross profit margin (%)	31.4	22.6	22.8	22.8	18.1

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During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on various factors, including (i) the nature and complexity of projects that were undertaken by our Group; (ii) the progress of such projects during the relevant financial year; and (iii) our cost control and management. As such, our gross profit margin achieved in a financial year is not an accurate indicator of our gross profit margin that may be achieved in a subsequent financial year. During the Track Record Period, we did not undertake any loss-making projects.

Our gross profit margin decreased from 31.4% for the year ended 31 March 2015 to 22.6%, 22.8% and 18.1% for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. The decrease of gross profit margins for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017 as compared with that for the year ended 31 March 2015 were primarily due to (i) some of the projects with relatively high gross profit margin were completed during the year ended 31 March 2015; (ii) as our Group gradually undertook foundation projects of relatively larger scale with higher contract sum, we were willing to bid at a lower price as the projects with higher contract sum could provide us a larger absolute amount of profits which may enhance our financial position and act as buffer against unexpected fluctuation in contract costs; and (iii) competitive project pricing arising from intense market competition in the foundation industry coupled with growing operation costs in the recent years. For the detailed discussion on our gross profit margins, please refer to the paragraph headed “Period to period comparison of results of operations” in this section.

The table below sets out our gross profit and gross profit margin by type of projects undertaken during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>
	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>
Projects with design input (Note)	13,651	31.6	17,491	26.9	12,977	24.8	3,552	29.5	6,344	19.8
Build-only projects	<u>9,650</u>	31.1	<u>9,693</u>	17.5	<u>37,012</u>	22.2	<u>5,013</u>	19.6	<u>9,961</u>	17.1
Total	<u>23,301</u>	31.4	<u>27,184</u>	22.6	<u>49,989</u>	22.8	<u>8,565</u>	22.8	<u>16,305</u>	18.1

Note: Include the projects in which we have reviewed and provided advice on the foundation design prepared by the consultants, engineers or architects of the employer of the project.

During the Track Record Period, the gross profit margin of our projects with design input was generally higher than that of our projects without design input. According to the Ipsos Report, in general, contracts with design input usually generates a higher profit margin since they provide more value added services on the structural design.

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Other income and other gains and losses

Our other income during the Track Record Period mainly included rental income from lease of our machinery when we consider the machinery was not required by any projects we were undertaking during the relevant period and such arrangement would not affect our operations, and income from sale of construction waste. Our other gains and losses mainly included gains/(losses) on disposal of our machinery during the Track Record Period, less allowance for bad and doubtful debts.

Administrative expenses

The following table sets out the administrative expenses, by amount and as a percentage of revenue, for the periods indicated:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Auditors' remuneration	23	0.9	52	0.8	60	0.4	-	-	-	-
Depreciation of property, plant and equipment	474	19.5	1,410	21.9	2,539	19.6	808	25.7	773	14.8
Travelling and entertainment	480	19.7	568	8.8	920	7.1	53	1.7	252	4.8
Motor vehicle expenses	198	8.1	730	11.3	1,439	11.1	321	10.2	611	11.7
Operating lease rental on premises	304	12.5	977	15.1	1,554	12.0	412	13.1	596	11.4
Staff costs, including directors' emoluments	664	27.2	1,745	27.0	5,390	41.5	1,152	36.6	2,424	46.5
Other expenses	294	12.1	970	15.1	1,081	8.3	398	12.7	564	10.8
Total	2,437	100.0	6,452	100.0	12,983	100.0	3,144	100.0	5,220	100.0

Listing expenses

Listing expenses consist of expenses incurred in relation to Listing. We did not incur any listing expenses for the two years ended 31 March 2015 and 2016, and we incurred listing expenses of approximately HK\$2.3 million and HK\$4.7 million for the year ended 31 March 2017 and the four months ended 31 July 2017, respectively.

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Finance costs

The following table sets forth the components of our finance costs for the year/period indicated:

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on obligations under finance leases	98	244	430	118	180
Interest on bank borrowings	34	–	193	13	177
Total	132	244	623	131	357

Our finance costs during the Track Record Period represented interest expenses on finance leases of our machinery and motor vehicles, as well as our bank borrowings, details of which are disclosed in the paragraph headed “Indebtedness” in this section.

Income tax expense

All of our Group’s revenue during the Track Record Period was derived in Hong Kong, therefore, our Group was subject to profits tax in Hong Kong. Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits for the Track Record Period. The effective tax rates of our Group for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 were approximately 16.6%, 16.9%, 17.5% and 27.9%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 31 July 2017 compared with four months ended 31 July 2016

Revenue

Our revenue increased by approximately HK\$52.7 million, or 140.2%, from approximately HK\$37.6 million for the four months ended 31 July 2016 to approximately HK\$90.3 million for the four months ended 31 July 2017. Such increase was mainly resulting from the increase in the number and size of foundation projects undertaken and the increase in value of works done primarily attributable to (i) the increase in the number of foundation projects contributing revenue from 8 for the four months ended 31 July 2016 to 16 for the four months ended 31 July 2017; (ii) in particular, since late 2016, we commenced works in our large scale project at TMTL500 with a contract sum of over HK\$100 million and our projects at Sai Yeung Choi Street, 473-473A Nathan Road, 742-744

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Nathan road and Island Road, each with a contract sum of over HK\$10 million, generating revenue of approximately HK\$57.3 million to our Group for the four months ended 31 July 2017; and (iii) we undertook substantial amount of construction works at TMTL514 during the four months ended 31 July 2017, resulting in an increase in revenue recognised by approximately HK\$9.1 million from the relevant contract due to actual works progress. Set out below a summary of revenue contribution by our projects for the four months ended 31 July 2017:

	For the four months ended 31 July			
	2016		2017	
	Total	Revenue	Total	Revenue
	number of	recognised	number of	recognised
	projects	<i>HK\$'000</i>	projects	<i>HK\$'000</i>
		<i>(unaudited)</i>		
Revenue recognised				
HK\$10 million or above	–	–	2	52,205
HK\$5 million to HK\$10 million	4	34,039	3	20,399
HK\$1 million to HK\$5 million	1	2,441	4	14,750
Below HK\$1 million	3	1,154	7	2,961
Total	8	37,634	16	90,315

Direct costs

Our direct costs increased by approximately HK\$44.9 million, or 154.3%, from approximately HK\$29.1 million for the four months ended 31 July 2016 to approximately HK\$74.0 million for the four months ended 31 July 2017. Such increase was in line with the increase in revenue during the same periods, as (i) the revenue recognised from our foundation works increased and hence the corresponding value of works subcontracted and construction materials costs increased; (ii) the increase in our staff costs employed for the projects to cope with our business growth as well as the salary increment of existing staff; and (iii) the increase in large scale foundation projects undertaken which involved substantial excavation works, especially in our project at TMTL500, has increased the transportation expenses in relation to construction waste transport.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$7.7 million, or 89.5%, from approximately HK\$8.6 million for the four months ended 31 July 2016 to approximately HK\$16.3 million for the four months ended 31 July 2017. Our gross profit margin decreased from approximately 22.8% for the four months ended 31 July 2016 to approximately 18.1% for the four months ended 31 July 2017, primarily due to (i) as our Group bids for foundation projects of relatively larger scale with higher contract sum, we were willing to bid at a lower profit margin as the projects with higher contract sum could provide us a larger absolute amount of profits; and (ii) the competitive project pricing arising from the

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intense market competition coupled with growing operation costs such as increase in the average wage of the construction workers. According to the Ipsos Report, the foundation subcontracting industry was very competitive in the recent years, with companies offering discounts for tendered projects to better compete with other subcontractors. The increase in wages and ageing workforce in the industry has also put pressure on profit margins.

Other income and other gains and losses

Other income and other gains decreased by approximately HK\$2.4 million, from approximately HK\$3.2 million for the four months ended 31 July 2016 to approximately HK\$728,000 for the four months ended 31 July 2017, primarily due to lower machinery rental income as our own machinery and construction equipment have been largely utilised by our projects, partially offset by higher income from sale of construction waste from the TMTL500 project.

Administrative expenses

Our administrative expenses increased by approximately HK\$2.1 million, from approximately HK\$3.1 million for the four months ended 31 July 2016 to approximately HK\$5.2 million for the four months ended 31 July 2017, primarily as a result of the increase in staff costs due to the increase in salary paid to our staff and the increase in the number of our back office staff to support our business growth.

Listing expenses

During the four months ended 31 July 2017, we recognised listing expenses of approximately HK\$4.7 million, as compared with nil for the four months ended 31 July 2016. For details, please refer to the paragraph headed “Listing expenses” in this section.

Finance costs

Our finance costs increased by approximately HK\$226,000, or 172.5%, from approximately HK\$131,000 for the four months ended 31 July 2016 to approximately HK\$357,000 for the four months ended 31 July 2017, primarily as a result of the increase in bank borrowings to finance our business operations, and the increase in our obligations under finance leases for machinery purchases.

Profit before taxation

As a result of the foregoing, our profit before taxation decreased by approximately HK\$1.6 million, or 19.0%, from approximately HK\$8.4 million for the four months ended 31 July 2016 to approximately HK\$6.8 million for the four months ended 31 July 2017. Our profit before taxation as a percentage of revenue was approximately 7.5% for the four months ended 31 July 2017 as compared with approximately 22.5% for the four months ended 31 July 2016, primarily due to the impact of the listing expenses and the decrease in gross profit margin as explained above.

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Income tax expense

Our income tax expense increased by approximately HK\$458,000, or 32.0%, from approximately HK\$1.4 million for the four months ended 31 July 2016 to approximately HK\$1.9 million for the four months ended 31 July 2017, primarily attributable to an increase in our taxable income resulted from the increase in our revenue as explained above. Our effective income tax rate, being tax charged for the period divided by profits before taxation, was approximately 16.9% for the four months ended 31 July 2016 and approximately 27.9% for the four months ended 31 July 2017. Our effective income tax rate was higher for the four months ended 31 July 2017 primarily due to the increase in the non-deductible listing expenses incurred in 2017 as compared with 2016.

Profit for the year

As a result of the foregoing, our profit for the period decreased by approximately HK\$2.1 million, or 30.0%, from approximately HK\$7.0 million for the four months ended 31 July 2016 to approximately HK\$4.9 million for the four months ended 31 July 2017.

Year ended 31 March 2017 compared with year ended 31 March 2016

Revenue

Our revenue increased by approximately HK\$98.8 million, or 82.0%, from approximately HK\$120.5 million for the year ended 31 March 2016 to approximately HK\$219.3 million for the year ended 31 March 2017. Such increase was mainly resulting from the increase in works undertaken as we commenced construction works in our large scale projects at 2A Discovery Bay, TMTL514 and TMTL500 during the year ended 31 March 2017, each with a contract sum of over HK\$60 million. The abovementioned projects in aggregate have contributed approximately HK\$139.5 million revenue to our Group for the year ended 31 March 2017. Throughout the Track Record Period, as we continued to invest in our business by acquiring additional machinery and hiring additional manpower to expand our service capacity, we have further built up our reputation and job references as principal subcontractor in the foundation

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and site formation subcontracting industry. We were invited to submit quotations for and were awarded with more contracts of larger contract size. As a result, we recorded an increase in our revenue derived from more foundation projects and projects of relatively larger scales as summarised in the following table:

	For the year ended 31 March			
	2016		2017	
	Total	Revenue	Total	Revenue
	number of	recognised	number of	recognised
	projects	HK\$'000	projects	HK\$'000
Revenue recognised				
HK\$10 million or above	4	107,920	6	195,705
HK\$5 million to HK\$10 million	1	7,712	2	13,408
HK\$1 million to HK\$5 million	1	1,397	2	7,417
Below HK\$1 million	10	3,436	6	2,798
Total	16	120,465	16	219,328

Direct costs

Our direct costs increased by approximately HK\$76.0 million, or 81.5%, from approximately HK\$93.3 million for the year ended 31 March 2016 to approximately HK\$169.3 million for the year ended 31 March 2017. Such increase was in line with the increase in revenue during the period, as (i) the revenue recognised from our foundation works increased and hence the corresponding value of works subcontracted and constructions materials costs increased; (ii) the increase in our staff costs employed for the projects to cope with our business growth as well as the salary increment of existing staff; and (iii) the increase in large scale foundation projects undertaken which involved substantial excavation works, hence, increased the transportation expenses in relation to construction waste and machinery transport.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$22.8 million, or 83.8%, from approximately HK\$27.2 million for the year ended 31 March 2016 to approximately HK\$50.0 million for the year ended 31 March 2017. Such increase was mainly attributable to the increase in revenue from foundation works as explained above. Our gross profit margin remained stable at approximately 22.6% and 22.8% for the years ended 31 March 2016 and 2017, respectively.

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Other income and other gains and losses

Other income and other gains increased by approximately HK\$1.6 million, from approximately HK\$1.8 million for the year ended 31 March 2016 to approximately HK\$3.4 million for the year ended 31 March 2017, primarily due to higher machinery rental income on our excavators.

Administrative expenses

Our administrative expenses increased by approximately HK\$6.5 million, or 100%, from approximately HK\$6.5 million for the year ended 31 March 2016 to approximately HK\$13.0 million for the year ended 31 March 2017, primarily as a result of (i) the increase in staff costs mainly due to the increase in salary paid to our staff, as well as the increase in the number of our back office staff to support our business growth; (ii) the increase in depreciation of our motor vehicles, and property, plant and equipment for our new office; and (iii) higher rent and rates for our new office.

Listing expenses

During the year ended 31 March 2017, we recognised listing expenses of approximately HK\$2.3 million, as compared with nil for the year ended 31 March 2016. For details, please refer to the paragraph headed “Listing expenses” in this section.

Finance costs

Our finance costs increased by approximately HK\$379,000, or 155.3%, from approximately HK\$244,000 for the year ended 31 March 2016 to approximately HK\$623,000 for the year ended 31 March 2017, primarily as a result of the increase in our obligations under finance leases for machinery and motor vehicle purchase, and the increase in bank borrowings to finance our business operations.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by approximately HK\$15.2 million, or 68.2% from approximately HK\$22.3 million for the year ended 31 March 2016 to approximately HK\$37.5 million for the year ended 31 March 2017. Our profit before taxation as a percentage of revenue was approximately 17.1% for the year ended 31 March 2017 compared to approximately 18.5% for the year ended 31 March 2016.

Income tax expense

Our income tax expense increased by approximately HK\$2.8 million, or 73.7%, from approximately HK\$3.8 million for the year ended 31 March 2016 to approximately HK\$6.6 million for the year ended 31 March 2017, primarily attributable to an increase in our taxable income resulted from the increase in our gross profit as explained above. Our effective income tax rate, being tax charged for the year divided by profits before income tax, was approximately 16.9% for the year ended 31 March 2016 and approximately 17.5%

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for the year ended 31 March 2017. Our effective income tax rate was higher for the year ended 31 March 2017 primarily due to the increase in the non-deductible listing expenses incurred in 2017 as compared with 2016.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$12.5 million, or 67.6%, from approximately HK\$18.5 million for the year ended 31 March 2016 to approximately HK\$31.0 million for the year ended 31 March 2017.

Year ended 31 March 2016 compared with year ended 31 March 2015

Revenue

Our revenue increased by approximately HK\$46.2 million, or 62.2%, from approximately HK\$74.3 million for the year ended 31 March 2015 to approximately HK\$120.5 million for the year ended 31 March 2016, primarily as a result of the increase in the number of sizeable foundation projects and the increase in value of works done. As we have built up our reputation and job references in the foundation and site formation industry, we have received increasing number of invitation for quotations for contracts with relatively higher contract sum. We have also acquired more machinery and recruited more labour forces to increase our capacity to enable us to pursue projects of relatively larger scales. As a result, we recorded an increase in revenue derived from foundation projects of relatively larger scales and higher contract sum.

Projects with revenue recognised above HK\$10 million during the year increased from one for the year ended 31 March 2015 to four for the year ended 31 March 2016. Such increase was mainly attributable to (i) the commencement of two new projects at TMTL434 and Inverness Road, each with a contract sum of over HK\$35 million, generating revenue of approximately HK\$19.9 million and HK\$14.5 million, respectively; and (ii) we completed substantial amount of construction works in our projects at Shun Ning Road and TMTL498

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during the year ended 31 March 2016, resulting in an increase in revenue recognised by approximately HK\$17.8 million and HK\$19.0 million from the relevant contracts due to actual works progress, respectively as summarised in the following table:

Project location	Types of works	Revenue recognised For the year ended 31 March	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
TMTL498, Tuen Mun	ELS works and piling works	29,798	48,795
69-83 Shun Ning Road, Cheung Sha Wan	ELS works and piling works	6,967	24,755
Total		<u>36,765</u>	<u>73,550</u>

Direct costs

Our direct costs increased by approximately HK\$42.3 million, or 82.9%, from approximately HK\$51.0 million for the year ended 31 March 2015 to approximately HK\$93.3 million for the year ended 31 March 2016. Such increase was in line with the upward trend of the revenue during the year as (i) the value of works undertaken in our foundation works increased, and hence the corresponding construction materials costs and subcontracting charges increased; and (ii) the increase in our staff costs employed for the projects to cope with our business growth. In particular, we undertook four relatively sizeable projects, at TMTL498, TMTL434, Inverness Road and Shun Ning Road, in the capacity of principal subcontractor and subcontracted substantial parts of the works at TMTL434 and Shun Ning Road (including the responsibility to bear the costs of relevant construction materials) to subcontractors, resulting in the higher proportion of subcontracting charges in our direct costs.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$3.9 million, or 16.7%, from approximately HK\$23.3 million for the year ended 31 March 2015 to approximately HK\$27.2 million for the year ended 31 March 2016. Our gross profit margin, decreased from approximately 31.4% for the year ended 31 March 2015 to approximately 22.6% for the year ended 31 March 2016, primarily due to (i) projects awarded to our Group before 2015 with relatively high gross profit margin due to tight delivery schedule, including the foundation works for projects in Discovery Bay Phase 16 and Shau Kei Wan, were substantially completed by the year ended 31 March 2015. If the impact of the abovementioned projects were excluded, our adjusted gross profit margin for the year ended 31 March 2015 would be approximately 25.4%; (ii) as our Group bid for foundation projects of relatively larger scale with higher contract sum, we were willing to bid at a lower price as the projects with higher contract sum could provide us a larger absolute amount of profits which may enhance our financial position and act as buffer against unexpected fluctuation in

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contract costs; and (iii) the competitive project pricing arising from the intense market competition couple with growing operation costs such as increase in the average wage of the construction workers. According to the Ipsos Report, the foundation subcontracting industry was very competitive in the recent years, with companies offering discounts for tendered projects to better compete with other subcontractors. The increase in wages and aging workforce in the industry has also put pressure on profit margins.

Other income and other gains and losses

Other income and other gains increased by approximately HK\$0.7 million, or 63.6%, from approximately HK\$1.1 million for the year ended 31 March 2015 to approximately HK\$1.8 million for the year ended 31 March 2016, primarily as a result of the increase in machinery rental income on our excavators.

Administrative expenses

Our administrative expenses increased by approximately HK\$4.1 million, or 170.8%, from approximately HK\$2.4 million for the year ended 31 March 2015 to approximately HK\$6.5 million for the year ended 31 March 2016, primarily as a result of (i) the increase in staff costs and directors' remuneration mainly due to the increase in salary and directors' fees; (ii) higher motor vehicle expenses and depreciation of our new motor vehicles; and (iii) higher rent and rates as we moved to a larger office along our business expansion in 2016.

Finance costs

Our finance costs increased by approximately HK\$112,000, or 84.8%, from approximately HK\$132,000 for the year ended 31 March 2015 to approximately HK\$244,000 for the year ended 31 March 2016, primarily as a result of the increase in our obligations under finance leases for machinery and motor vehicle purchase.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by approximately HK\$0.5 million, or 2.3% from approximately HK\$21.8 million for the year ended 31 March 2015 to approximately HK\$22.3 million for the year ended 31 March 2016.

Income tax expense

Our income tax expense increased by approximately HK\$0.2 million, or 5.6%, from approximately HK\$3.6 million for the year ended 31 March 2015 to approximately HK\$3.8 million for the year ended 31 March 2016, primarily attributable to an increase in our taxable income. Our effective income tax rate, being tax charged for the year divided by profits before taxation, was approximately 16.6% for the year ended 31 March 2015 and approximately 16.9% for the year ended 31 March 2016.

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Profit for the year

As a result of the foregoing, our profit increased by approximately HK\$0.3 million, or 1.6%, from approximately HK\$18.2 million for the year ended 31 March 2015 to approximately HK\$18.5 million for the year ended 31 March 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash is to fund our working capital requirements, our purchase of plant and equipment, and to repay our borrowings and related interest expenses. During the Track Record Period and up to the Latest Practicable Date, our Group's operations were generally financed through a combination of cash generated from operating activities and external borrowings. Upon completion of the Share Offer, we expect to meet our liquidity needs and finance our working capital from cash generated from our operations, debt financing and the proceeds from the Share Offer. As at 31 March 2015, 2016 and 2017 and 31 July 2017, we had cash and bank balances of approximately HK\$3.3 million, HK\$4.6 million, HK\$33.2 million and HK\$11.8 million, respectively.

Cash Flows

The following table summarises our cash flows for the periods indicated:

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Net cash from/(used in) operating activities	11,491	15,955	47,959	1,912	(17,879)
Net cash used in investing activities	(5,809)	(7,512)	(16,277)	(5,856)	(8,084)
Net cash (used in)/from financing activities	(7,996)	(7,114)	(3,113)	1,958	4,634
Net decrease/(increase) in cash and cash equivalents	(2,314)	1,329	28,569	(1,986)	(21,329)
Cash and cash equivalents at the beginning of the year/period	5,578	3,264	4,593	4,593	33,162
Cash and cash equivalents at the end of the year/period	3,264	4,593	33,162	2,607	11,833

Net cash from/used in operating activities

Our Group's cash inflow from operating activities is principally generated from receipt of payments from our customers in relation to our carrying out of foundation works and provision of other ancillary services. Our cash outflows from operating activities are principally due to the payments for purchase of materials from suppliers, subcontracting charges, staff costs, administrative and other operating expenses.

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Net cash from operating activities reflects our profit before income tax deducted by interests and income tax paid during the period and adjusted for non-cash items such as depreciation of property, plant and equipment, and the effects of changes in working capital items.

For the four months ended 31 July 2017, we had net cash used in operating activities amounted to approximately HK\$17.9 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$8.8 million, net decrease in working capital changes of approximately HK\$25.9 million and income tax paid of approximately HK\$765,000. The net decrease in working capital changes primarily reflected (i) an increase in amounts due from customers for contract work of approximately HK\$21.7 million mainly due to the increase in project revenue of which the payment certificates from our customers in relation to projects at TMTL500 and TMTL514 were issued after the period end date, and the increase in unbilled retention receivable contributed by an increase in the value of works completed; (ii) an increase in trade receivables of approximately HK\$5.9 million primarily due to increase in value of works completed and certified by our customers; partially offset by (iii) a decrease in other receivables, deposits and prepayments of approximately HK\$1.1 million mainly due to the release of performance deposits for our project at 2A Discovery Bay.

For the year ended 31 March 2017, we had net cash from operating activities amounted to approximately HK\$48.0 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$45.0 million, net increase in working capital changes of approximately HK\$6.0 million and income tax paid of approximately HK\$3.0 million. The net increase in working capital changes primarily reflected (i) an increase in trade payables of approximately HK\$23.5 million mainly due to the increase in value of works subcontracted and materials purchased for projects at TMTL500 and TMTL514 towards the end of the financial year in 2017; (ii) an increase in other payables and accrued charges of approximately HK\$6.6 million mainly on higher retention payables; partially offset by (iii) an increase in amounts due from customers for contract work of approximately HK\$18.7 million mainly due to the increase in projects revenue of which the payment certificates from our customers in relation to projects at TMTL500 and TMTL514 were issued after the year end date and the increase in unbilled retention receivable contributed by increase in value of works completed; and (iv) an increase in trade receivables of approximately HK\$8.0 million primarily due to increase in value of works completed and certified by our customers.

For the year ended 31 March 2016, we had net cash from operating activities amounted to approximately HK\$16.0 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$26.9 million, net decrease in working capital changes of approximately HK\$7.0 million and income tax paid of approximately HK\$3.9 million. The net decrease in working capital changes primarily reflected (i) an increase in amounts due from customers for contract work of approximately HK\$24.9 million mainly due to the increase in projects revenue of which the payment certificates from our customers in relation to projects at TMTL434 and Inverness Road were issued after the year end date; partially offset by (ii) an increase in trade payables of approximately HK\$10.7 million mainly due to increase in value of works subcontracted for

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projects at TMTL434 and Inverness Road; (iii) a decrease in trade receivables of approximately HK\$8.2 million; and (iv) an increase in other payables of approximately HK\$2.5 million mainly on higher retention payables and accrued salaries.

For the year ended 31 March 2015, we had net cash from operating activities amounted to approximately HK\$11.5 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$25.9 million, net decrease in working capital changes of approximately HK\$12.4 million and income tax paid of approximately HK\$2.0 million. The net decrease in working capital changes primarily reflected (i) an increase in amount due from customers for contract work of approximately HK\$9.3 million mainly due to increase in projects revenue of which the payment certificates from our customers were issued after the year end date; (ii) an increase in other receivables, deposits and prepayments of approximately HK\$4.5 million in relation to performance deposits made, as requested by the customer, for the TMTL498 project in the capacity of a principal subcontractors; (iii) an increase in trade receivables of approximately HK\$3.3 million primarily due to increase in value of works completed and certified by our customers; partially offset by (iv) increase in trade payables of approximately HK\$2.9 million mainly due to increase in value of works subcontracted.

Net cash used in investing activities

Our investing activities principally consisted of payment for the purchases of property and equipment, proceeds from disposal of property and equipment, and advance to and repayment from our Directors.

For the four months ended 31 July 2017, we had net cash used in investing activities amounted to approximately HK\$8.1 million, primarily attributable to (i) an increase in advance to a director of approximately HK\$5.7 million; (ii) payments for purchases of our property and equipment of approximately HK\$3.3 million; (iii) placement of pledged bank deposits of approximately HK\$2.0 million; and partially offset by (iv) proceeds from disposals of property and equipment of approximately HK\$3.7 million.

For the year ended 31 March 2017, we had net cash used in investing activities amounted to approximately HK\$16.3 million, primarily attributable to (i) an increase in advance to a director of approximately HK\$19.8 million; (ii) payments for purchases of our property and equipment of approximately HK\$2.3 million; partially offset by (iii) repayment from a director of approximately HK\$6.5 million.

For the year ended 31 March 2016, we had net cash used in investing activities amounted to approximately HK\$7.5 million, primarily attributable to (i) an increase in advance to a director of approximately HK\$6.4 million; (ii) payment for purchases of property and equipment of approximately HK\$3.6 million; partially offset by (iii) repayment from a director of approximately HK\$2.6 million.

For the year ended 31 March 2015, we had net cash used in investing activities amounted to approximately HK\$5.8 million, primarily attributable to payment for purchases of property and equipment of approximately HK\$5.7 million.

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Net cash from/used in financing activities

Our cash inflow from financing activities was principally from proceeds from borrowings from the financial institutions and our Directors, while our cash used in financing activities was principally for the repayment of borrowings from the financial institutions and payment of dividends.

For the four months ended 31 July 2017, our net cash from financing activities amounted to approximately HK\$4.6 million. This was primarily attributable to (i) new bank borrowings of approximately HK\$19.0 million; and (ii) partially offset by the repayment on the finance leases and bank borrowings of approximately HK\$14.0 million and (iii) interest paid on bank borrowings and finance leases of approximately HK\$357,000.

For the year ended 31 March 2017, our net cash used in financing activities amounted to approximately HK\$3.1 million. This was primarily attributable to (i) repayment on the finance leases and bank borrowings of approximately HK\$16.4 million; (ii) interest paid on bank borrowings and finance leases of approximately HK\$623,000; partially offset by the (iii) new bank borrowings of approximately HK\$13.9 million.

For the year ended 31 March 2016, our net cash used in financing activities amounted to approximately HK\$7.1 million. This was primarily attributable to (i) repayment on the finance leases of approximately HK\$4.2 million; (ii) repayment to a director of approximately HK\$2.7 million; and (iii) interest paid on bank borrowings and finance leases of approximately HK\$244,000.

For the year ended 31 March 2015, our net cash used in financing activities amounted to approximately HK\$8.0 million. This was primarily attributable to (i) repayment to a director of approximately HK\$7.8 million; (ii) repayment of bank borrowings and finance leases of approximately HK\$2.2 million; (iii) interest paid on borrowings and finance leases of approximately HK\$132,000; (iv) dividends paid of approximately HK\$7.0 million; partially offset by (v) increase in advance from a director of approximately HK\$9.2 million.

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Net Current Assets

The table below sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As at 31 March			As at 31 July	As at 31 October
	2015	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>
Current assets					
Trade receivables	9,528	1,364	9,345	15,212	26,067
Deposits, prepayments and other receivables	4,517	8,053	6,787	4,098	12,772
Amounts due from customers for contract work	15,816	33,909	53,379	74,998	75,987
Amount due from a director	–	3,797	17,157	22,817	19,987
Pledged bank deposits	–	–	–	2,000	2,000
Bank balances and cash	3,264	4,593	33,162	11,833	13,660
	<u>33,125</u>	<u>51,716</u>	<u>119,830</u>	<u>130,958</u>	<u>150,473</u>
Current liabilities					
Trade payables	7,554	18,267	41,770	34,586	45,885
Others payables and accrued charges	2,572	4,888	10,737	18,497	19,471
Obligations under finance leases	2,390	4,202	7,180	8,639	10,306
Amounts due to customers for contract work	6,785	–	727	636	–
Amount due to a director	2,693	–	–	–	–
Bank borrowings	–	–	6,143	14,340	14,007
Tax payable	1,821	836	3,989	4,646	6,285
	<u>23,815</u>	<u>28,193</u>	<u>70,546</u>	<u>81,344</u>	<u>95,954</u>
Net current assets	<u>9,310</u>	<u>23,523</u>	<u>49,284</u>	<u>49,614</u>	<u>54,519</u>

As of 31 March 2015, 2016 and 2017 and 31 July 2017, we recorded net current assets of approximately HK\$9.3 million, HK\$23.5 million, HK\$49.3 million and HK\$49.6 million, respectively. The increase in our net current assets was attributable to our increase in the total current assets, which was as a result of our business growth and our increased amount of work done for our customers during Track Record Period. This was partially offset by the increase in our total current liabilities primarily as a result of the increase in our trade and other payables for subcontracting charges and materials purchase to cope with growth of our business and the increase in our bank borrowings and obligations under finance lease to finance our business operations.

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As at 31 October 2017, being the latest practicable date for ascertaining our net current assets position, we recorded net current assets of approximately HK\$54.5 million which was HK\$4.9 million higher than the net current assets as at 31 July 2017.

The following section sets forth detailed discussion of the fluctuations in the key components of our assets and liabilities.

DISCUSSION OF CERTAIN COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Property and equipment

During the Track Record Period, our property and equipment mainly represented leasehold improvements, machineries and construction equipment, computer and office equipment and motor vehicles. As at 31 March 2015, 2016 and 2017 and 31 July 2017, the aggregate net book values of our property and equipment amounted to approximately HK\$9.9 million, HK\$15.4 million, HK\$20.2 million and HK\$25.0 million. The increase was mainly due to the purchases of machineries and motor vehicles partially offset by depreciation during the Track Record Period. For details of our purchases and disposals of property and equipment during the Track Record Period, please refer to note 14 to the Accountants' Report in Appendix I to this prospectus.

Trade receivables

During the Track Record Period, our trade receivables mainly represented amounts receivable from our customers in relation to our construction services. Our trade receivables decreased from approximately HK\$9.5 million as at 31 March 2015 to approximately HK\$1.4 million as at 31 March 2016, then increased to approximately HK\$9.3 million as at 31 March 2017. As at 31 July 2017 our trade receivables further increased to approximately HK\$15.2 million. The balance of our trade receivables fluctuated during the Track Record Period primarily due to the timing of certifying payment application by our customers or our progress billings for the project progress, and the timing of settlement made by different customers, which can vary by project to project and from period to period.

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Aging analysis and subsequent settlement

The following table sets forth the aging analysis of our trade receivables based on the date of invoices on progress payments of contract works as at the end of the periods indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	8,565	1,364	9,177	13,457
31 – 60 days	25	–	168	1,494
61 – 90 days	40	–	–	261
91 – 180 days	–	–	–	–
Over 180 days	898	–	–	–
	<u>9,528</u>	<u>1,364</u>	<u>9,345</u>	<u>15,212</u>

The following is the aging analysis of our trade receivables that were past due but not impaired:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 30 days	25	–	9,177	1,093
31 – 60 days	40	–	168	401
61 – 90 days	–	–	–	261
Over 90 days	898	–	–	–
	<u>963</u>	<u>–</u>	<u>9,345</u>	<u>1,755</u>

As at 31 July 2017, approximately HK\$1.5 million of our past due trade receivables were related to an interim payment of the 742-744 Nathan Road project. As at the Latest Practicable Date, such past due trade receivables have been settled.

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Trade receivables turnover days

As our business is project-based, our trade receivables were mainly affected by the actual works progress of our on-going projects, the amount certified by the relevant customers and the amount settled by the relevant customers as at the respective reporting dates. The following table sets out the turnover days of trade receivables for the year/period indicated:

	For the year ended 31 March			For the four months ended 31 July
	2015	2016	2017	2017
Trade receivables turnover days	38.7 days	16.5 days	8.9 days	16.6 days

Note: Trade receivables turnover days are calculated based on the average trade receivables divided by the revenue for the relevant year/period multiplied by number of days in the relevant year/period (365 days, 366 days, 365 days and 122 days for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively). Average trade receivables are calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

We generally grant credit terms of 7 to 30 days to our customers from the date of invoices on progress payments of contract works. Our trade receivables turnover days were approximately 38.7 days, 16.5 days, 8.9 days and 16.6 days for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. We closely review our trade receivables balance and any overdue balances on an ongoing basis. Allowance for bad and doubtful debts of trade receivables is made when there is objective evidence (such as significant financial difficulties of the customers) that our Group would not be able to collect the amounts due under the original terms of the invoice. We review the collectability of our trade receivables on a case-by-case basis to determine if any write off for trade receivables is necessary. For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, approximately HK\$65,000, nil, nil and nil of our trade receivables were written off, respectively. As at the Latest Practicable Date, approximately 98.3% of our trade receivables as at 31 July 2017 had been settled.

Concentration

Trade receivables of our top two debtors amounted to approximately HK\$9.1 million, HK\$1.4 million, HK\$9.3 million and HK\$12.2 million, respectively, comprising approximately 95.5%, 100.0%, 100.0% and 80.1% of our Group's trade receivables as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. For further information regarding our customer concentration risk and our Directors' view as to the sustainability of our business model in view of our customer concentration, please refer to the section headed "Business – Customer concentration" in this prospectus.

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Deposits, prepayments and other receivables

Our deposits, prepayments and other receivables comprised of deposits for acquisition of property and equipment, deposits, other receivables, prepayments and retention receivables during the Track Record Period. The following table sets out the breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits for acquisition of property and equipment	200	557	787	1,022
Deposits	4,517	5,697	4,462	1,850
Receivable from the proceeds of disposal of property and equipment	–	–	1,600	–
Other receivables	–	2,354	240	239
Prepayments	–	2	95	125
Deferred listing expenses	–	–	675	2,169
	<u>4,717</u>	<u>8,610</u>	<u>7,859</u>	<u>5,405</u>
Total				
Presented as non-current assets	200	557	1,072	1,307
Presented as current assets	<u>4,517</u>	<u>8,053</u>	<u>6,787</u>	<u>4,098</u>
Total	<u>4,717</u>	<u>8,610</u>	<u>7,859</u>	<u>5,405</u>

Our deposits, prepayments and other receivables increased from approximately HK\$4.7 million as at 31 March 2015 to approximately HK\$8.6 million as at 31 March 2016, mainly due to an increase in performance deposits for our project at Inverness Road as requested by our customer, and an increase in other receivables in relation to construction materials purchase on behalf of a subcontractor. Our deposits, prepayments and other receivables decreased to HK\$7.9 million as at 31 March 2017, mainly attributable to the settlement of the abovementioned other receivables in relation to construction materials purchase on behalf of a subcontractor, partially offset by an increase in receivable from the proceeds of disposal of our machinery amounted to approximately HK\$1.6 million. As at 31 July 2017, our deposits, prepayments and other receivables further decreased to approximately HK\$5.4 million which was mainly due to the release of performance deposits of approximately HK\$3.3 million for our project at 2A Discovery Bay and the decrease in receivable from the proceeds of disposal of our machinery amounted to approximately HK\$1.6 million, partially offset by the increase in deferred listing expenses.

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Amount due from/to customers for contract work

Our Group recognises gross amounts due from customers for contract work as an asset when costs incurred plus recognised profits (less recognised losses) exceed progress billings, which, in practice, generally means when (i) we have incurred contract costs that relate to future activity on the contract; and (ii) progress billings had not yet taken place as at a financial year end date in respect of construction works performed by our Group during that financial year. Our Group recognises gross amounts due to customers for contract work as a liability when progress billings exceed costs incurred plus recognised profits (less recognised losses). Please refer to note 17 of the Accountants' Report set out in Appendix I to this prospectus for the details of the corresponding accounting policies. The following table sets out the details of the amounts due from/ to customers of contract works as at each reporting date:

	As at 31 March			As at
	2015	2016	2017	31 July
	<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	64,514	112,964	251,199	263,682
Less: Progress billings	<u>(55,483)</u>	<u>(79,055)</u>	<u>(198,547)</u>	<u>(189,320)</u>
Total	<u>9,031</u>	<u>33,909</u>	<u>52,652</u>	<u>74,362</u>
Analysed as:				
Amounts due from customers for contract work	15,816	33,909	53,379	74,998
Amounts due to customers for contract work	<u>(6,785)</u>	<u>–</u>	<u>(727)</u>	<u>(636)</u>
	<u>9,031</u>	<u>33,909</u>	<u>52,652</u>	<u>74,362</u>

Our Group recorded gross amounts due from/to customers for contract work of approximately HK\$9.0 million, HK\$33.9 million, HK\$52.7 million and HK\$74.4 million as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively, out of which included unbilled retention receivable amounted to approximately HK\$684,000, HK\$5.8 million, HK\$17.1 million and HK\$22.8 million as at the respective dates.

Our gross amounts due from/to customers for contract work are normally affected by (i) the amount of works undertaken by us at the time close to the end of each reporting period; and (ii) the timing of certifying payment application by our customers or our progress billings for the project progress recorded by us, which can vary from period to period.

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Subsequent settlement

Gross amounts due from customers for contract work have arisen during the Track Record Period because progress billings had not yet taken place as at a financial year end date in respect of works performed by our Group during that financial year. When progress billings take place subsequently, the relevant amounts due from customers for contract works will become our trade receivables and/or retention receivables.

In respect of the gross amounts of approximately HK\$15.8 million due from customers for contract work as at 31 March 2015, approximately HK\$14.6 million had been subsequently billed and settled by the relevant customers up to the Latest Practicable Date.

Of the gross amounts of approximately HK\$33.9 million due from customers for contract work as at 31 March 2016, approximately HK\$27.3 million had been subsequently billed and settled by the relevant customers up to the Latest Practicable Date. The remaining unbilled and unsettled portion included approximately HK\$3.8 million unbilled retention receivable of our contract works undertaken.

Of the gross amounts of approximately HK\$53.4 million due from customers for contract work as at 31 March 2017, approximately HK\$37.2 million and HK\$34.8 million had been subsequently billed and settled by the relevant customers up to the Latest Practicable Date, respectively. The remaining unbilled and unsettled portion included approximately HK\$12.5 million unbilled retention receivable of our contract works undertaken, and approximately HK\$3.7 million represented the costs incurred in certain projects which were not billable according to the project stage of completion as the final account and the completion certification of the respective projects were still being processed by the project employers and our customers.

Of the gross amounts of approximately HK\$75.0 million due from customers for contract work as at 31 July 2017, approximately HK\$57.0 million and HK\$52.8 million had been subsequently billed and settled by the relevant customers up to the Latest Practicable Date. The remaining unbilled and unsettled portion included approximately HK\$13.5 million unbilled retention receivable of our contract works undertaken, and approximately HK\$4.5 million represented the costs incurred in certain projects which were not billable according to the project stage of completion.

All gross amounts due from/to customers for contract work are expected to be recovered/ settled within two years.

Trade payables

During the Track Record Period, our trade payables were mainly for purchase of construction materials from our suppliers and subcontracting works performed by our subcontractors.

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Our trade payables was approximately HK\$7.6 million, HK\$18.3 million, HK\$41.8 million and HK\$34.6 million as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. As our business is project-based in nature, our direct costs and our trade payables balance during the Track Record Period varied depending on the size and the progress of our construction works.

As at the Latest Practicable Date, approximately HK\$29.4 million, or 85.0%, of our trade payables outstanding as at 31 July 2017, had been subsequently settled.

The following table sets forth the ageing analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017 HK\$'000
0 – 30 days	7,554	12,942	20,064	12,802
31 – 60 days	–	4,396	17,714	10,117
Over 60 days	–	929	3,992	11,667
	<u>7,554</u>	<u>18,267</u>	<u>41,770</u>	<u>34,586</u>

We generally receive credit terms of 0 to 60 days from our suppliers and subcontractors. The following table sets forth the turnover days of trade payables for the periods indicated:

	For the year ended 31 March			For the
	2015	2016	2017	four
				months
				ended
				31 July
				2017
Trade payables turnover days	43.5 days	50.7 days	64.7 days	62.9 days

Note: Trade payables turnover days are calculated based on the average trade payables divided by the cost of direct costs for the relevant year/period multiplied by number of days in the relevant year/period (365 days, 366 days, 365 days and 122 days for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively). Average trade payables are calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

Trade payables turnover days were 43.5 days, 50.7 days, 64.7 days and 62.9 days for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively, which were generally in line with the credit periods granted by our suppliers and subcontractors. Our Directors considered that we had stable relationship with our suppliers and subcontractors and confirmed that we had no material disputes with our suppliers and subcontractors during the Track Record Period.

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Other payables and accrued charges

Our other payables and accrued charges mainly include accrued employee benefit expenses, accrued listing expenses, payable for the acquisition of property and equipment, receipt in advance from customers, and retention payables. The following table sets out the breakdown of our other payables and accrued charges as at each reporting date:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued charges	801	1,265	3,626	4,451
Accrued listing expenses	–	–	–	4,600
Payable for the acquisition of property and equipment	900	760	–	–
Receipt in advance	–	20	300	–
Retention payables	<u>871</u>	<u>2,843</u>	<u>6,811</u>	<u>9,446</u>
 Total	 <u>2,572</u>	 <u>4,888</u>	 <u>10,737</u>	 <u>18,497</u>

Our other payables and accrued charges increased over the Track Record Period mainly due to (i) the increase in retention payables driven by increase in number of sizeable projects and increase in value of works subcontracted; (ii) the increase in accrued staff costs in line with our increasing labour cost for our construction projects; and (iii) the increase in accrued listing expenses for the four months ended 31 July 2017. As at 31 March 2015, 2016 and 2017 and 31 July 2017, all of our retention payables were expected to be settled within one year.

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INDEBTEDNESS

The table below sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 31 March			As at	As at 31
	2015	2016	2017	31 July	October
	HK\$'000	HK\$'000	HK\$'000	2017	2017
				HK\$'000	HK\$'000
					<i>(unaudited)</i>
Unsecured and unguaranteed:					
– Amount due to a director	2,693	–	–	–	–
Unsecured and guaranteed:					
– Bank borrowings	–	–	6,143	5,310	2,650
Secured and guaranteed:					
– Bank borrowings	–	–	–	9,030	11,357
– Obligations under finance lease	<u>4,647</u>	<u>7,159</u>	<u>9,851</u>	<u>11,285</u>	<u>10,306</u>
Total	<u>7,340</u>	<u>7,159</u>	<u>15,994</u>	<u>25,625</u>	<u>24,313</u>

As at 31 March 2015, 2016 and 2017 and 31 July 2017, our Group had bank borrowings, obligations under finance lease and amounts due to Directors in aggregate of approximately HK\$7.3 million, HK\$7.2 million, HK\$16.0 million and HK\$25.6 million respectively, all of which were denominated in Hong Kong Dollars. As at 31 October 2017, being the latest practicable date for determining indebtedness, our Group had bank borrowings, obligations under finance lease and amounts due to Directors in aggregate of approximately HK\$24.3 million.

Amounts due from/to directors

Set out below are the balances due from/to our Directors as at each reporting date:

	As at 31 March			As at	As at 31
	2015	2016	2017	31 July	October
	HK\$'000	HK\$'000	HK\$'000	2017	2017
				HK\$'000	HK\$'000
					<i>(unaudited)</i>
Amount due from Mr. Lee	–	3,797	17,157	22,817	19,987
Amount due to Mr. Lee	2,693	–	–	–	–

These amounts are non-trade nature, unsecured, unguaranteed, interest-free and repayable on demand. The amount due from Mr. Lee has been settled by setting off against the dividend declared by our Company on 6 December 2017. Please refer to Note 18 to the Accountants' Report set out in Appendix I to this prospectus for further details.

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Obligations under finance leases

Our Group purchased certain property, plant and equipment under finance leases during the Track Record Period. As at 31 March 2015, 2016 and 2017, 31 July 2017 and 31 October 2017, our Group had outstanding finance leases payable as follows:

	As at 31 March			As at 31	As at 31
	2015	2016	2017	July 2017	October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Gross finance lease liabilities					
– minimum lease payments					
Within one year	2,582	4,415	7,545	9,077	8,777
More than one year but within two years	2,281	1,638	2,623	2,734	1,961
More than two years but within five years	<u>54</u>	<u>1,496</u>	<u>194</u>	<u>–</u>	<u>–</u>
	4,917	7,549	10,362	11,811	10,738
Less: Future finance charges	<u>(270)</u>	<u>(390)</u>	<u>(511)</u>	<u>(526)</u>	<u>(432)</u>
Present value of finance lease obligations	<u><u>4,647</u></u>	<u><u>7,159</u></u>	<u><u>9,851</u></u>	<u><u>11,285</u></u>	<u><u>10,306</u></u>

All of our finance leases were denominated in Hong Kong dollars and the interest rates of our obligations under finance leases for the year ended 31 March 2015, 2016 and 2017 and 31 July 2017 ranged from approximately 3.7% to 7.1%, 3.1% to 6.0%, 3.1% to 6.0% and 3.0% to 6.8% per annum, respectively. The obligations under finance leases were secured by (i) the lessor's charge over our machineries and construction equipment and motor vehicles; and guaranteed by (ii) the personal guarantee provided by Mr. Lee, which will be released and replaced by the corporate guarantee of the Company upon Listing. We have received consent-in-principle from relevant banks to release such personal guarantees provided by Mr. Lee conditionally upon Listing. For details of our obligations under finance leases, please refer to note 22 to the Accountants' Report set out in Appendix I to this prospectus.

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Bank borrowings

Our Group's bank borrowings were primarily used in financing the working capital requirement of our operations. The following table sets forth a breakdown of our bank borrowings as at the dates indicated:

	As at 31 March			As at 31 July	As at 31 October
	2015	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Bank borrowings repayable within one year	<u>–</u>	<u>–</u>	<u>6,143</u>	<u>14,340</u>	<u>14,007</u>

All of our bank borrowings were denominated in Hong Kong dollars and the interest rates of our bank borrowings for the year ended 31 March 2015, 2016 and 2017 and 31 July 2017 were ranged from approximately nil, nil, 3.5% to 5% and 4.5% to 5%, respectively. As at 31 July 2017 and 31 October 2017, our Group's bank borrowings were secured by pledged bank deposits and guaranteed by personal guarantees by Mr. Lee, except for an amount of HK\$6,143,000, HK\$5,310,000 and HK\$2,650,000 as at 31 March 2017, 31 July 2017 and 31 October 2017 which was unsecured and guaranteed by personal guarantee by Mr. Lee, which will be released and replaced by the corporate guarantee of our Company upon Listing. We have received consent-in-principle from relevant banks to release such personal guarantees provided by Mr. Lee conditionally upon Listing.

As at 31 March 2015, 2016 and 2017, 31 July 2017 and 31 October 2017, our Group had unutilised banking facilities of approximately nil, nil, HK\$22,000, HK\$3.7 million and HK\$6.6 million, respectively. For details of our bank borrowings, please refer to note 23 to the Accountants' Report set out in Appendix I to this prospectus.

As confirmed by our Directors, our Group had not defaulted or delayed any payment, and/or breached any of the finance covenants of our banking facilities during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 October 2017 and up to the date of this prospectus.

Save as disclosed above, our Group did not have, as at the Latest Practicable Date and apart from intra-group liabilities and normal trade bills, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

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CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to the acquisition of the leasehold improvements, machineries and construction equipment, computer and equipment, and motor vehicles. The following table sets forth our additions of property, plant and equipment for the periods indicated.

	For the year ended			For the
	31 March			four
	2015	2016	2017	months
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	ended
				31 July
				2017
				<i>HK\$'000</i>
Leasehold improvements	–	388	527	–
Machineries and construction equipment	10,805	3,321	12,428	8,048
Computer and office equipment	–	–	139	–
Motor vehicles	866	6,618	319	431
	<u>11,671</u>	<u>10,327</u>	<u>13,413</u>	<u>8,479</u>
Total	<u>11,671</u>	<u>10,327</u>	<u>13,413</u>	<u>8,479</u>

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

Our capital commitments primarily relate to the acquisition of leasehold improvements, machineries and construction equipment, computer and office equipment, and motor vehicles. As at 31 March 2015, 2016 and 2017, 31 July 2017 and 31 October 2017, we had capital commitments contracted in respect of the acquisition of property and equipment amounted to approximately HK\$417,000, HK\$3.0 million, HK\$4.2 million, HK\$6.7 million and HK\$3.4 million, respectively.

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Operating lease commitments

During the Track Record Period, we, as tenant, leased certain office premises, and warehouses under operating leases. The following table sets forth our total future minimum lease payments under non-cancellable operating leases in respect of our leased properties as of the dates indicated:

	As at 31 March			As at	As at 31
	2015	2016	2017	31 July	October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	766	1,433	1,852	1,733
In the second to fifth year inclusive	–	951	1,649	1,183	833
Total	–	1,717	3,082	3,035	2,566

Our leases are generally negotiated for a lease term of two to three years at fixed rentals.

Except for the contractual obligations set out in the paragraphs headed “Indebtedness” and the “Contractual obligations and commitments” in this section, as at the Latest Practicable Date, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder’s equity, or that are not reflected in our combined financial statements. We do not have any variable interests in any uncombined entity that provides financing, liquidity or credit support to us, or engages in leasing, hedging or research and development services with us.

CONTINGENT LIABILITIES

During the Track Record Period, we have been involved in certain litigation and claims, details of which are disclosed in the paragraph headed “Business – Legal proceedings and legal compliance” in this prospectus. Our Directors are of the opinion that the litigation and claims are not expected to have a material impact on our financial position or results of operations. As at the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expect would materially and adversely affect our financial positions or results of operations.

As at 31 March 2015, 2016 and 2017, 31 July 2017 and 31 October 2017, we did not have any significant contingent liabilities.

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WORKING CAPITAL SUFFICIENCY

Taking into consideration the financial resources available to us including the internally generated funds, the available banking facilities and the estimated net proceeds our Company receive from the Share Offer, our Directors are of the view and the Sponsor concurs, after due and careful inquiry, that our Group has sufficient working capital for at least 12 months commencing from the date of this prospectus.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates indicated:

	For the year ended 31 March			For the four months ended 31 July 2017
	2015	2016	2017	
Profitability ratios				
Gross profit margin (<i>note 1</i>)	31.4%	22.6%	22.8%	18.1%
Net profit margin (<i>note 2</i>)	24.5%	15.4%	14.1%	5.4%
Return on equity (<i>note 3</i>)	108.6%	54.4%	46.4%	18.3%
Return on total assets (<i>note 4</i>)	42.0%	27.4%	21.9%	9.3%
Capital adequacy ratio				
Interest coverage ratio (<i>note 5</i>)	166.0 times	92.3 times	61.2 times	20.0 times
	As at 31 March			As at 31 July 2017
	2015	2016	2017	
Liquidity ratios				
Current/Quick ratio (<i>note 6</i>)	1.4 times	1.8 times	1.7 times	1.6 times
Capital adequacy ratios				
Gearing ratios (<i>note 7</i>)	43.9%	20.3%	24.2%	36.0%

Notes:

1. Gross profit margin is calculated by dividing our revenue minus our direct costs for the respective year by our revenue for the same year/period, and multiplying the result by 100%.
2. Net profit margin is calculated by dividing the net profit for the respective year/period by our revenue for the same year/period, and multiplying the result by 100%.
3. Return on equity is calculated based on the profit attributable to the owners of our Company for the respective year divided by the total equity attributable to the owners of our Company as at the end of the respective year, multiplied by 100% for each of the years ended 31 March 2015, 2016 and 2017; or multiplied by 365/122 and then multiplying the resulting value by 100% for the four months ended 31 July 2017.

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4. Return on total assets is calculated based on the net profit for the respective year divided by the total assets at the end of the respective year, multiplied by 100% for each of the years ended 31 March 2015, 2016 and 2017; or multiplied by 365/122 and then multiplying the resulting value by 100% for the four months ended 31 July 2017.
5. Interest coverage ratio is calculated based on the net profit before interest and tax for the respective year/period divided by the interest expenses for the respective year/period.
6. Current ratio is calculated based on the total current assets as at the end of the respective year/period divided by the total current liabilities as at the end of the respective year/period.

Quick ratio is calculated based on the total current assets minus inventories as at the end of the respective year/period divided by the total current liabilities as at the end of the respective year/period.
7. Gearing ratio is calculated based on the total debt (summation of borrowings, obligations under finance leases and amount due to a director) as at the end of the respective year/period divided by total equity as at the end of the respective year, multiplied by 100% for each of the years ended 31 March 2015, 2016 and 2017 and for the four months ended 31 July 2017.

Return on equity

For the years ended 31 March 2015, 2016 and 2017, our return on equity was approximately 108.6%, 54.4% and 46.4%, respectively. The decrease in our return on equity throughout the period was mainly attributable to the increase in the total equity resulting from the profit generated throughout the period. For the four months ended 31 July 2017, our return on equity further decreased to approximately 18.3%. The decrease was mainly due to (i) the increase in the total equity resulting from the profit generated through the Track Record Period; and (ii) the decrease in net profit resulting from the recognition of listing expenses of approximately HK\$4.7 million.

Return on total assets

Return on total assets decreased from approximately 42.0% for the year ended 31 March 2015 to approximately 27.4% for the year ended 31 March 2016. The decrease was mainly due to the increase in assets of approximately 56.6% as compared to the increase in net profit of approximately 2.0%. The significant expansion of our total assets base was primarily attributable to the increase in working capital contributed from the profit for the year ended 31 March 2016 and the purchase of fixed assets partially financed by borrowings. Return on total assets for the year ended 31 March 2017 further decreased to 21.9% due to (i) a lower rate of increase in net profit resulting from the increase in administrative expenses to support our business growth and the recognition of listing expenses; and (ii) the increase in total assets mainly on the increase in working capital contributed from the profit for the year ended 31 March 2017 and the purchase of fixed assets partially financed by borrowings. For the four months ended 31 July 2017, our return on total asset further decreased to approximately 9.3%. The decrease was mainly due to (i) the decrease in net profit resulting from the recognition of listing expenses of approximately HK\$4.7 million; and (ii) the increase in the total assets mainly on the increase in working capital contributed from the profit for the period ended 31 July 2017 and the purchase of fixed assets partially financed by borrowings.

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Interest coverage ratio

Our interest coverage ratio decreased from approximately 166.0 times for the year ended 31 March 2015 to approximately 92.3 times for the year ended 31 March 2016, further decreased to approximately 61.2 times for the year ended 31 March 2017 and further decreased to approximately 20.0 times for the four months ended 31 July 2017. Such decrease was mainly due to the increase in our finance cost as a result of (i) our purchases of machinery and motor vehicles by way of interest-bearing finance leases arrangements; (ii) increase in bank borrowings to finance our working capital throughout the Track Record Period; and (iii) the impact of listing expenses recognised on our net profit before interest and tax for the year ended 31 March 2017 and the four months ended 31 July 2017.

Current/quick ratio

As our Group did not hold any inventory during the Track Record Period, the current ratio of our Group is identical to the quick ratio. Our current ratio increased from 1.4 times as at 31 March 2015 to approximately 1.8 times as at 31 March 2016. Such increase was mainly due to the increase in our working capital as a result of our profitable operations. Our current ratio remained stable at 1.7 times and 1.6 times as at 31 March 2017 and 31 July 2017, respectively.

Gearing ratio

Our gearing ratio decreased from approximately 43.9% as at 31 March 2015 to approximately 20.3% as at 31 March 2016. Such decrease was mainly attributable to (i) amount due to a director of approximately HK\$2.7 million has been settled during the year ended 31 March 2016; (ii) the lower equity base as at 31 March 2015 due to the impact of dividends declared and paid by Ming Lee Foundation to the then shareholder during the respective year; partially offset by (iii) the increase in obligations under finance leases for new machineries and motor vehicles purchases.

Our gearing ratio increased from approximately 20.3% as at 31 March 2016 to approximately 24.2% as at 31 March 2017 and further increased to approximately 36.0% as at 31 July 2017. Such increase was mainly due to the increase in use of bank borrowings to finance our working capital and obligations under finance leases for new machineries and motor vehicles purchases.

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RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 31 to the Accountant's Report set out in Appendix I to this prospectus, our Directors believe that such transactions were conducted on normal commercial terms and were fair and reasonable and in the interests of our Shareholders as a whole. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not comparable with our future performance.

DIVIDEND AND DISTRIBUTABLE RESERVES

For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, Ming Lee Foundation declared dividend of HK\$7.0 million, nil, nil and nil, respectively, to the then shareholders. All such dividends have been fully paid and the payments were financed by our internal resources.

On 6 December 2017, our Company declared a dividend in an amount of approximately HK\$21.9 million of which approximately HK\$20.0 million has been set off against the amount due from director and approximately HK\$1.9 million will be settled by cash by internal resources before Listing, which is expected to be on 27 December 2017.

We do not have a fixed dividend policy and our Company does not have any predetermined dividend payout ratio. Our declaration of dividends, in the future, if any, will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. It is also subject to the approval of our Shareholders as well as the constitution of our Company.

Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy.

Our Company was incorporated on 24 January 2017 and has not carried out any business since the date of incorporation. Accordingly, our Company did not have any distributable reserve available for distribution to our Shareholders as at 31 July 2017.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, including market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. We monitor and manage these exposures to ensure appropriate measures are implemented in a timely and effective manner. Please also refer to note 27 to the Accountants' Report set out in Appendix I to this prospectus for further details regarding our financial risk management.

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Interest rate risk

We are exposed to fair value interest rate risk in relation to our fixed-rate obligations under finance leases and interest-free amount due to a director. Our cash flow interest rate risk primarily relates to the bank balances and bank borrowings as at 31 March 2015, 2016 and 2017 and 31 July 2017. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. It is our policy to maintain an appropriate level between our deposits and borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Foreign exchange risk

Our Group is a Hong Kong-based subcontractor principally providing foundation works and other ancillary services for foundation projects in the private sector, with all of our transactions settled in Hong Kong Dollars. As such, our Directors are of the view that our Group did not have any significant foreign exchange liabilities and did not have any significant exposure to foreign exchange risk during the Track Record Period.

Credit risk

The credit risk of our Group mainly arises from trade and other receivables, amount due from a director as well as cash and bank balances. The carrying amounts, where applicable, of each class of these financial assets represent our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates. Our credit risk of bank balances is limited because the counter parties are banks with sound credit ratings assigned by international credit-rating agencies. In respect of trade and other receivables, individual credit evaluations are performed on our customers and counter parties. Monitoring procedures have been implemented to ensure that follow-up action will be taken to recover overdue debts. Our Directors will consider making specific provisions for trade receivables at the end of each reporting year when there are indications that the balances are unlikely to be recovered.

Our Group has certain concentration of credit risk. Our top two debtors amounting to HK\$9,098,000, HK\$1,364,000, HK\$9,343,000 and HK\$12,180,000, respectively, comprised approximately 95.5%, 100.0%, 100.0% and 80.1% of our Group's trade receivables as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively.

Liquidity risk

Our Group's policy is to monitor our current and expected liquidity requirements regularly to ensure that our Group maintains sufficient reserve of cash to meet our liquidity requirements in both long and short terms to ensure that our Group has sufficient financial resources to fund our operations.

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DISCLOSURES REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon Listing.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following table sets out the unaudited pro forma data relating to our combined net tangible assets attributable to owners of our Company to illustrate the effect of the Share Offer on our combined net tangible assets attributable to owners of our Company as at 31 July 2017 as if the Share Offer had taken place on that date. Due to its hypothetical nature, the following unaudited pro forma data may not give a true picture of our combined net tangible assets attributable to owners of our Company as at 31 July 2017 or as at any subsequent date following the Share Offer. It is prepared based on the audited combined financial information as at 31 July 2017 as set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 July 2017 <i>(Note 1)</i> HK\$'000	Add: Estimated net proceeds from the Share Offer <i>(Note 2)</i> HK\$'000	Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company <i>(Note 3)</i> HK\$'000	Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share <i>(Note 3)</i> HK\$
Based on the Offer Price of HK\$0.45 per Offer Share	64,283	53,203	117,486	0.16
Based on the Offer Price of HK\$0.55 per Offer Share	64,283	66,853	131,136	0.18

Notes:

- (1) The audited combined net tangible assets of our Group attributable to owners of the Company as at 31 July 2017 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 140,000,000 new Shares at the Offer Price of lower limit and upper limit of HK\$0.45 and HK\$0.55 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses to be incurred by our Group since 1 August 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 paragraph headed "Share Capital – General mandate to issue shares" or the paragraph headed "Share Capital – General mandate to repurchase shares" in this Prospectus.

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- (3) The unaudited pro forma adjusted combined net tangible assets per Offer Share attributable to the owners of the Company per Share is arrived at on the basis that 742,910,000 Shares, representing the aggregate of 9,135 Shares held by Simple Joy as at 31 July 2017, capitalisation of shares of 602,900,865 Shares attributable to the Shares held by Simple Joy and 140,000,000 new Shares, were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 July 2017 and does not take into account of Shares held by Simply Marvel, or 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 paragraph headed “Share Capital – General mandate to issue shares” or the paragraph headed “Share Capital – General mandate to repurchase shares” in this Prospectus.
- (4) Assuming the reorganisation is completed on 31 July 2017 and the dividend of HK\$21,881,000 declared on 6 December 2017 had been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share would have been HK\$0.13 and HK\$0.15 at the Offer Price of HK\$0.45 and HK\$0.55, respectively, which is calculated based on (i) the combined net tangible assets of the Group attributable to owners of the Company of HK\$49,228,000 after taking into consideration the transfer of the non-controlling interests of HK\$6,826,000 to other reserve attributable to the owners of the Company upon completion of the reorganisation and the declaration of dividend of HK\$21,881,000; and (ii) 800,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 July 2017.

For more details, please refer to Appendix II to this prospectus.

LISTING EXPENSES

Our Directors expect that our total listing expenses are non-recurring in nature. Assuming the Offer Price of HK\$0.50 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing expenses in relation to the Share Offer are approximately HK\$18.7 million. The Vendor will bear the listing expenses of approximately HK\$1.8 million relating to the sale of the Sale Shares and the listing expenses to be borne by us are expected to be approximately HK\$16.9 million. Of such amount to be borne by us, approximately HK\$4.5 million is directly attributable to the issue of new Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$12.4 million, which cannot be so deducted, will be charged to profit or loss. Of the approximately HK\$12.4 million that will be charged to profit or loss, approximately HK\$2.3 million and HK\$4.7 million was charged to the combined statements of profit or loss and other comprehensive income for the year ended 31 March 2017 and the four months ended 31 July 2017, and approximately HK\$5.4 million is expected to be charged for the eight months ending 31 March 2018. These Listing expenses mainly comprised of professional fees paid and payable to the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the legal advisers and the reporting accountants for their services rendered in relation to the Share Offer.

RECENT BUSINESS DEVELOPMENT AND FINANCIAL PERFORMANCE

Subsequent to Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking foundation and related works in Hong Kong. As at the Latest Practicable Date, we had 12 projects on hand (including projects in progress and projects yet to commence). The aggregate contract sum of all contracts on hand is approximately HK\$415.0 million of which approximately HK\$109.8

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million of revenue has been recognised during the Track Record Period. Based only on our projects completed and contracts on hand, we expect our revenue will be approximately HK\$329.1 million for the year ending 31 March 2018. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Please refer to the section headed “Business – Our projects” for details. Following the Track Record Period, we have been continuously approached by customers for submitting quotations for new projects. In this regard, our Directors have been cautiously optimistic in preparing our quotations with an aim to expand our business.

On 6 December 2017, our Company declared a dividend in an amount of approximately HK\$21.9 million.

MATERIAL ADVERSE CHANGE

We did not experience any significant decrease in revenue or any unexpected increase in the direct costs and other costs subsequent to the Track Record Period and up to the Latest Practicable Date. The foundation and related industry in Hong Kong remained relatively stable after the Track Record Period and up to the Latest Practicable Date. As far as the our Directors are aware, there are no material adverse changes affecting the industry we operate in Hong Kong which could have a material and adverse impact on our business and financial conditions and our operating results. However, the impact of the Listing expenses on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 July 2017 (being the date on which our latest audited consolidated financial statements were made up). Prospective investors should be aware of the impact of the Listing expenses on the financial performance of our Group for the year ending 31 March 2018.

Our Directors confirm that there has been no other material adverse change in our financial or trading position or prospects since 31 July 2017 (being the date on which our latest audited consolidated financial statements were prepared as set out in the Accountants’ Report in Appendix I to this prospectus) and up to the date of this prospectus and there had been no event since 31 July 2017 which would materially affect the information shown in the Accountants’ Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Please refer to the section headed “Business – Business strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.50, being the mid-point of the Offer Price range, of approximately HK\$53.1 million as follows:

- Approximately HK\$23.3 million or approximately 43.9% of the net proceeds will be used for funding the initial costs and/or the operating costs to be incurred in the early stage of three existing foundation works projects, namely the Island Road Project, the Java Road Project and the Wong Chuk Hang Project, which had an aggregate contract sums of approximately HK\$126.5 million (please refer to the section headed “Business – Our projects – Projects on hand” in this prospectus for further details), before substantial value of work is certified by our customer. Our Directors consider that sizeable projects with huge project sum usually have longer contract period and their cash inflows are expected to be slower than projects with shorter contract period. The table below sets out the funding needs of these projects planned to be satisfied by proceeds from the Share Offer:

Funding need	Island Road Project (HK\$'000)	Java Road Project (HK\$'000)	Wong Chuk Hang Project (HK\$'000)	Total (HK\$'000)	Percentage of proceeds (%)
Purchase of construction materials	1,086	322	2,667	4,075	7.7
Preliminaries (including insurance, set up of utility and security system, testing and inspection fees etc.)	1,929	1,790	2,972	6,691	12.6
Direct labour and subcontracting fees (Note)	4,899	2,045	5,597	12,541	23.6
Total	7,914	4,157	11,236	23,307	43.9

FUTURE PLANS AND USE OF PROCEEDS

Note: It represents two months' budgeted direct labour costs and wages of subcontractors, taking into account that our customers will measure our works completed and certify the amount we are entitled for the relevant month in four weeks' time.

Our Directors expect that the proceeds will be applied for the remaining period in the financial year ending 31 March 2018.

It is common for our projects to incur expenses for our labour and subcontractors before substantial value of work is certified by our customer, please refer to the paragraph headed "Risk Factors – Risks relating to our business – Our cash flows position may deteriorate due to potential mismatches in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers" in this prospectus for further details. As such, HK\$12.5 million will be applied to the settlement of direct labour and subcontracting fees to alleviate the intensive working capital requirement.

In view that (i) we expect to incur and pay an aggregate sum of initial cost and operating cost of approximately HK\$23.3 million for the Island Road Project, the Java Road Project and the Wong Chuk Hang Project by January 2018 as discussed above; (ii) our cash and bank balance, our existing banking facilities utilised, together with our potential additional banking facilities as discussed below are only marginally sufficient for the on-going projects on hand; and (iii) there is demand for our construction services as we have received and responded to an increasing number of tender quotation invitations from our potential customers where such potential projects may entail further capital requirement, our Group intends to utilise net proceeds from the Share Offer for these existing projects immediately after Listing and we will apply internal resources to fulfill the initial working capital requirement for new projects to be awarded. Effectively, our Group's capacity will be increased as new capital is entering, which allows our Group to undertake more new projects concurrently. Subsequent to the year ended 31 March 2017 and up to the Latest Practicable Date, we have submitted 44 quotations with an aggregate contract sum of approximately HK\$4,122.3 million that are still pending results from customers, which we normally do not have control as to the timing of the release of contract award results.

In assessing the means of financing for the abovementioned project funding, our Directors consider that equity financing is more advantageous than debt financing, having taken into account that (i) assuming all other factors are held constant, according to the latest audited account of our Group as at 31 July 2017, based on HK\$0.50 per Offer Share, the Share Offer would help reduce our Group's gearing ratio from approximately 36.0% to approximately 19.4% which is more in line with the average of the market comparables of approximately 14.4% gearing ratio for the subcontractors which are listed on the Main Board and principally undertaking of foundation and site formation subcontracting works in Hong Kong, which our Directors believe that such level of gearing ratio would help our Group to gain confidence from our customers, suppliers and creditors as the lower level of gearing reflects a lower level of financial vulnerability and a lower risk of defaulting; (ii) having a public listing status will help us be more competitive as our Directors believe that our customers, suppliers and creditors may give preference to a listed company with transparent financial disclosures and regulatory supervision; (iii) equity financing does not need to be repaid, and therefore it is not necessary for our Group to retain a portion of the business income for loan repayment and thus all the business income can be further reinvested for

FUTURE PLANS AND USE OF PROCEEDS

our business development; and (iv) more flexibility for our Group to consider other means of financing when our business further expands coupled with favourable financing environment in the future.

If there is any material delay in the Listing schedule such that we may not be able to receive the estimated net proceeds from the Share Offer by January 2018, being the estimated latest time when the funding shall be deployed without affecting the projects schedule, our Group may apply a combination of debt financing and our internal resources to fund the aforesaid projects' initial cost and operating cost. As contingency financing measures, our Group may (i) obtain additional borrowings of up to approximately HK\$12.0 million from a new banking facility to be provided by one of our principal bankers based on the proposal and indicative term sheet from the banker; and (ii) apply approximately HK\$11.3 million of our internal working capital to fund the projects. Having considered the above contingency financing measures, based on the latest negotiation with such principal banker and the internal cash flow projection of our Group, our Directors believe that our Group will have sufficient funding to fund the projects even if the Listing fails to eventuate by January 2018.

However, taking into account (i) the contingency financing measures will exhaust our banking facilities, expose our Group to an even higher gearing to over 50%, and reduce our cash and bank balances which could be deployed for potential new projects funding; (ii) the increasing number and contract size of tender quotation invitations we received and submitted to our potential customers; and (iii) according to the Ipsos report, the outlook of Hong Kong's foundation and site formation industry is positive, our Directors consider that the current financial resources available to our Group is only sufficient for our present business scale and there are imminent equity financing needs for our expected business growth. Therefore, in the event that the Listing happens after we pursue the contingency financing measures, the respective portion of the net proceeds from the Share Offer will be allocated to other new sizeable projects as projects funding to increase our Group's financial capacity and enable our Group to undertake more projects concurrently for our business expansion.

- Approximately HK\$12.5 million or approximately 23.5% of the net proceeds will be used for strengthening our manpower by hiring 11 additional staff, including project management, quantity surveyor and machinery operators, in the next 3

FUTURE PLANS AND USE OF PROCEEDS

years. The following table sets out a breakdown of additional staff that we plan to employ by functions:

For the year ending 31 March	Additional staff to be employed by function	Number of additional staff to be employed during the year	Amount allocated for recruiting and retaining the additional staff (HK\$'000)
2018	Project management and supervision	3	1,596
	Machinery operator	2	
2019	Project management and supervision	1	4,704
	Machinery operator	2	
2020	Project management and supervision	2	6,160
	Machinery operator	1	

- Approximately HK\$12.5 million or approximately 23.6% of the net proceeds will be used for enhancing our machinery by acquiring additional excavators and breakers in the next 3 years in order to cope with our business development and increase our overall efficiency, capacity and technical capability in performing foundation works as well as our ability to cater for different needs and requirements of different customers. The planned allocation of this portion of the net proceeds among machinery is as follows:

For the year ending 31 March	Type of machinery and equipment	Number of unit	Amount allocated (HK\$'000)
2018	Excavator	3	6,700
	Hydraulic breaker	2	
2019	Excavator	2	2,650
	Hydraulic breaker	1	
2020	Excavator	2	3,150
	Hydraulic breaker	2	

- Approximately HK\$4.8 million or approximately 9.0% of the net proceeds will be used as the general working capital of our Group.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that the acquisition of additional machinery and construction equipment will be necessary to alleviate the capacity constraints currently experienced by our Group as our machinery and construction equipment have been largely utilised by our projects since 2016. The acquisition of additional machinery and construction equipment is also well supported by the demand of our construction services. The table below sets out the types of machinery and construction equipment which we plan to purchase with the proceeds to cope with the respective projects' demand:

Types of machinery and construction equipment to be purchased	Contracts on hand with works commence/in progress in or after December 2017							Yip Kan Street and Wong Chuk Hang Road		Overall project need
	TMTL 500, Kwun Chui Road	456-466 Sai Yeung Choi Street	742-744 Nathan Road	43 Island Road	Pooi To Primary School	1&1A Java Road	TPTL 204, Pak Shek Kok	TMTL 547, Tuen Mun		
Excavator	8	3	3	5	3	5	2	5	4	38
Hydraulic breaker	8	-	-	-	-	1	1	2	2	14

According to the Ipsos Report, possession of foundation machinery and equipment enables a company to enjoy a higher level of flexibility to deploy resources and execute effectively and efficiently a number of foundation projects simultaneously at any time and to cater for foundation works of different scale and complexity.

In addition to our machinery and construction equipment, our Directors consider that our project management and supervisory staff is essential for our performance of project management and supervisory functions in the capacity of a principal subcontractor. To further strengthen our role as a principal subcontractor and to expand our business, our Directors consider that it is necessary to strengthen our manpower.

Our Directors are of the view that the acquisition of the additional machinery and construction equipment and the hiring of additional staff would give our Group a higher capacity and flexibility in undertaking more/larger projects. It is estimated that our Group's capacity can be expanded by approximately 40% by the year ending 31 March 2019 from the machinery acquisition and the staff recruitment by the net proceeds from the Share Offer. Such capacity expansion would also enable our Group to place less reliance and save costs of subcontracting fees and machinery leasing expenses, with the estimated net cost savings (estimated cost reduction from subcontracting fees and machinery leasing expense based on prevailing market rental cost less additional depreciation and staff costs of machine operators) amounted to approximately HK\$0.8 million and HK\$4.0 million for the six months ending 31 March 2018 and the year ending 31 March 2019, respectively, generating an estimated improvement of gross margin by approximately 0.2% and 1.1%, respectively.

In view of the above, our Directors believe that our business strategies and the future plans are reasonable and appropriate, having considered (i) our Group's existing operation capacity is largely utilised and the capacity expansion can alleviate our capacity constraint and enable us to take on more and/or larger projects; (ii) the increasing demand for our Group's foundation and site formation works services as reflected in the increasing number of invitation for quotations during the Track Record Period and up to the Latest Practicable Date; (iii) the forecast industry growth as provided in the Ipsos Report; (iv) the expanded capacity can enable our Group to develop relationships with new customers and expand our

FUTURE PLANS AND USE OF PROCEEDS

customer base; and (v) the estimated net cost savings on machinery leasing and subcontracting expenses contributed by the acquisition of the additional machinery and recruitment of the new staff could enhance our Group's profitability.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.55 per Offer Share, the net proceeds our Company receive from the Share Offer will increase by approximately HK\$6.8 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.45 per Offer Share, the net proceeds our Company receive from the Share Offer will decrease by approximately HK\$6.8 million.

To the extent that the net proceeds are not immediately applied to the above purposes due to any factors, and to the extent permitted by applicable laws and regulations, we will carefully evaluate the situations and it is our present intention to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong until similar projects of approximately similar contract sum are secured by us.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

In each of the above scenarios, we will not receive any of the proceeds from the sale of the Sale Shares by the Vendor in the Share Offer. We estimate that the net proceeds to the Vendor from the Sale Shares (after deduction of proportional underwriting commission and estimated expenses payable by the Vendor in relation to the Share Offer, and assuming an Offer Price of HK\$0.50, being the mid-point of the Offer Price range) will be approximately HK\$28.2 million.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Future Land Resources Securities Limited

South China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Our Company, Controlling Shareholders (including the Vendor), executive Directors and the Public Offer Underwriters have entered into the Public Offer Underwriting Agreement. As described in the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription on the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Public Offer Underwriting Agreement (including the Joint Lead Managers (on behalf of themselves and the Public Offer Underwriters) and us (on behalf of ourselves and the Vendor) agreeing to the Offer Price), the Public Offer Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Public Offer Shares which are being offered but not taken up under the Public Offer on the terms and subject to the conditions of the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst other things, the Placing Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

If at any time prior to 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):
 - (i) any new law or regulation in Hong Kong, the BVI and the Cayman Islands comes into force, or there is any change in existing law or regulation in Hong Kong, the BVI and the Cayman Islands, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI and the Cayman Islands; or
 - (ii) there is any material adverse change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or financial market conditions; or

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- (iii) there is any material adverse change in the conditions of the Hong Kong securities markets including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of such markets; or
- (iv) without prejudice to sub-paragraph (ii) and (iii) above and (v) below, there is imposed any moratorium, suspension on trading in securities generally on the Stock Exchange due to exceptional financial circumstance, or minimum prices having been established for securities traded in general thereon; or
- (v) without prejudice to sub-paragraph (ii), (iii) and (iv) above, a general banking moratorium is declared by Hong Kong authorities; or
- (vi) there is a material adverse change or development involving a prospective material adverse change in taxation or exchange controls in Hong Kong, the BVI, or the Cayman Islands; or
- (vii) there is any material investigation or litigation or claim being threatened or instituted against any executive Director or the Vendor or member of our Group; or
- (viii) there is any event or series of event of force majeure (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, lockout, or outbreak of other diseases); or
- (ix) any statement contained in this prospectus and any announcement or circular published by our Company in relation to the Share Offer was, when any of such documents was issued, or has become, untrue, incorrect or misleading in any material respect; or
- (x) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom in the context of the Share Offer or the Listing; or
- (xi) a contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the Listing Rules; or
- (xii) a prohibition on our Company and/or the Vendor for whatever reason from allotting and/or selling the Shares pursuant to the terms of the Share Offer under applicable laws; or
- (xiii) a petition is presented or an order is made for the winding up or liquidation of any member of our Group or the Vendor, or any member of our Group or the Vendor 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 the Vendor or a provisional liquidator, receiver or manager is appointed over all or part of the assets or

UNDERWRITING

undertaking of any member of our Group or the Vendor or anything analogous thereto occurs in respect of any material member of our Group or the Vendor,

which in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) has or will have a material adverse effect on the business or financial conditions or prospects of our Group taken as a whole or to the success of the Share Offer or the distribution of the Offer Shares, or

(b) any of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), the Sponsor or any of the Underwriters becomes aware, or has reasonable cause to believe that:

(i) there has occurred any breach which is material and adverse in the context of the Share Offer or the Listing, of any of the obligations and provisions (save for those from the Joint Lead Managers, the Joint Bookrunners, the Sponsor and/or any of the Underwriters) contained in the Public Offer Underwriting Agreement; or

(ii) there has occurred any material adverse change in the business or in the financial or trading positions or prospects of any member of our Group taken as a whole which is material and adverse in the context of the Share Offer and the Listing,

then and in any such case, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall have the sole right upon giving notice in writing to our Company at any time prior to 8:00 a.m. on the Listing Date to terminate their obligations under the Public Offer Underwriting Agreement.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in any of the circumstances provided for under Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

UNDERWRITING

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have, jointly and severally, undertaken to the Stock Exchange and our Company that, save as permitted under the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), they shall not dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests, or encumbrances in respect of, any of our Shares in respect of which they are shown in this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date which the First Six-month Period expires (the “**Second Six-month Period**”), they shall not dispose of, nor enter into any agreement to dispose of, or otherwise created any options, rights, interests or encumbrances in respect of, any of the Shares, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the “**Banking Ordinance**”) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, inform our Company immediately thereafter in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) having pledged or charged any interest in the Shares under paragraph (i) above, inform our Company immediately in the event that he or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under of the Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

UNDERWRITING

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken to the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not without the prior written consent of the Sponsor and/or Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the First Six-month Period, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction, and we further agree that, during the Second Six-month Period, we will not carry out any of the above transactions the completion of which would result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has respectively undertaken to the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and our Company that:

- (a) during the First Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sponsor and the Joint Lead Managers or otherwise in compliance with the requirements of the Listing Rules:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules;
- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange (if required under the Listing Rules) during the Second Six-month Period commencing on the expiry of the First Six-month Period set out in paragraph (a) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules; and
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Each of our Controlling Shareholders undertakes to the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period, he/it shall:

- (a) if and when he/it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him/it (or any beneficial interest therein), immediately inform our Company, the Sponsor and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him/it will be disposed of, immediately inform our Company, the Sponsor and the Joint Lead Managers in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

The Placing

Placing Underwriting Agreement

In connection with the Placing, our Controlling Shareholders (including the Vendor), executive Directors and our Company expect to enter into the Placing Underwriting Agreement with the Joint Lead Managers and the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 180,000,000 Placing Shares (comprising 120,000,000 new Shares and 60,000,000 Sale Shares) initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” above.

UNDERWRITING

Voluntary lock-up undertakings by our Controlling Shareholders

Apart from satisfying the lock-up requirement under Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has voluntarily undertaken to the Company for a further 12 months commencing on the date on which the twelve-month lock-up period under Rule 10.07 of the Listing Rules expires, not to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is or they are shown by this prospectus to be the beneficial owner(s) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder. This undertaking can only be waived by majority of the independent Shareholders.

EXPENSES

Total commission, fee and expenses

In connection with the Share Offer, the Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. For unsubscribed Public Offer Shares reallocated to the Placing, an underwriting commission at the rate applicable to the Placing will be paid to the relevant Placing Underwriters (but not the Public Offer Underwriters). Underwriting commission will be payable by our Company for the number of Offer Shares offered for subscription in the Share Offer.

In connection with the Listing, the Sponsor will receive a sponsorship and documentation fees.

In connection with the Listing and the Share Offer, the total expenses (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Share Offer) are estimated to be approximately HK\$18.7 million (assuming that the underwriting commission is calculated with reference to the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share) of which approximately HK\$16.9 million and HK\$1.8 million shall be borne by our Company and the Vendor, respectively.

Our Company and our Controlling Shareholders have agreed to indemnify the Joint Lead Managers and the Underwriters for certain losses which they may suffer, including losses incurred arising from the performance of their obligations under the Underwriting Agreements, and any breach by our Company or our Controlling Shareholders of the Underwriting Agreements.

INDEPENDENCE OF THE SPONSOR

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

UNDERWRITING

Sponsor's, Joint Lead Managers' and Underwriters' interest in our Company

The Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the first full financial year after the Listing Date, and our Company will pay to the Sponsor an agreed fee for its provision of services within the scope required under the Listing Rules.

Save for their interests and obligations under the Underwriting Agreements and the advisory and documentation fee payable to the Sponsor in respect of the Share Offer, none of the Sponsor, the Joint Lead Managers and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

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 comprises:

- (a) the Public Offer of 20,000,000 new Shares (subject to reallocation as mentioned below) in Hong Kong as further described in the paragraph headed “The Public Offer” below; and
- (b) the Placing of 180,000,000 Shares (comprising 120,000,000 new Shares and 60,000,000 Sale Shares initially offered by our Company and the Vendor, respectively) (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed “The Placing” below.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. 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 Offer Shares will represent 25% of the enlarged total issued shares of our Company immediately after completion of the Share Offer.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Public Offer – Reallocation” and “The Placing – Reallocation” below.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 20,000,000 new Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer Shares are fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.55 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section.

Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (i) Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less.
- (ii) Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 10,000,000 Offer Shares (being 50% of the Public Offer Shares initially available under the Public Offer) are liable to be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any Shares under the Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation under the Listing Rules. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 60,000,000 Offer Shares (in the case of (i)), 80,000,000 Offer Shares (in the case of (ii)) and 100,000,000 Offer Shares (in the case of (iii)) representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer, respectively.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced in such manner as the Joint Lead Managers deem appropriate. If the Public Offer Shares are not fully subscribed for, the Joint Lead Managers have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers deem appropriate. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers.

THE PLACING

Number of Offer Shares initially offered

Our Company is expected to offer initially 180,000,000 Shares (comprising 120,000,000 new Shares and 60,000,000 Sale Shares) (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares initially available under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing Shares are expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company and the Vendor by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed with certain professional and institutional investors and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Offer Shares after the listing of the Shares on the Stock Exchange.

Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of 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 Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued and sold pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed “The Public Offer – Reallocation” above, and the exercise of any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

PRICING AND ALLOCATION

Determining the Offer Price

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 20 December 2017 and in any event on or before Friday, 22 December 2017, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer Price range

The Offer Price will be not more than HK\$0.55 per Offer Share and is expected to be not less than HK\$0.45 per Offer Share, unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.55 for each Public Offer Share (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$5,555.43 for each board lot of 10,000 Shares. If the Offer Price is less than HK\$0.55, appropriate refund payments (including the brokerage fee, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Friday, 22 December 2017, the Share Offer will not proceed and will lapse.

Change to the Offer Price range and/or number of Offer Shares

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, change the indicative Offer Price range and/or the number of Offer Shares initially offered in the Share Offer 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 change, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.lingyui.com.hk notices of such change. Upon issue of such a notice, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics, and any other financial information in this prospectus which may change materially as a result of such change.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such announcement is made may subsequently

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

withdraw their applications in the event that such an announcement is subsequently made. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Lead Managers may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Lead Managers.

Announcement of Offer Price and basis of allocations

The final Offer Price, the level of indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares are expected to be announced on Wednesday, 27 December 2017 on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.lingyui.com.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** Application Form and **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC will be made available through a variety of channels as described in the section “How to Apply for the Public Offer Shares – 11. Publication of results” in this prospectus.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including the Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme);
- the Price Determination Agreement having been duly executed on the Price Determination Date and such agreement not subsequently having been terminated;
- the Offer Price having been duly agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- 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 becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before Friday, 22 December 2017, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company at www.lingyui.com.hk on the next Business Day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates for the Offer Shares are expected to be issued on Wednesday, 27 December 2017 will only become valid at 8:00 a.m. on Thursday, 28 December 2017, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting – Underwriting arrangements and expenses – Grounds for termination” in this prospectus has not been exercised.

ADMISSION OF THE SHARES INTO CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. 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 advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 28 December 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 28 December 2017.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares will be 784.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** Application Form or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** Application Form 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 apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY 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 (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** Service Provider at www.hkeipo.hk under the **HK eIPO White Form** service.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) use a **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 13 December 2017 until 12:00 noon on Monday, 18 December 2017 from:

- (a) any of the following offices of the Joint Lead Managers:

Name	Address
Frontpage Capital Limited	26/F, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Future Land Resources Securities Limited	6/F, Winbase Centre No. 208 Queen's Road Central Hong Kong
South China Securities Limited	28/F, Bank of China Tower 1 Garden Road Central Hong Kong

- (b) any of the following branches of Standard Chartered Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building 4-4A, Des Voeux Road Central, Central
	North Point Centre Branch	Shop G, G/F, North Point Centre 284 King's Road, North Point
Kowloon	68 Nathan Road Branch	Basement, Shop B1 G/F and M/F Golden Crown Court 66-70 Nathan Road, Tsim Sha Tsui
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road Cheung Sha Wan
New Territories	Maritime Square Branch	Shop 308E, Level 3 Maritime Square, Tsing Yi

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 13 December 2017 until 12:00 noon on Monday, 18 December 2017 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**HORSFORD NOMINEES LIMITED – LING YUI PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Wednesday, 13 December 2017 – 9:00 a.m. to 5:00 p.m.**
- Thursday, 14 December 2017 – 9:00 a.m. to 5:00 p.m.**
- Friday, 15 December 2017 – 9:00 a.m. to 5:00 p.m.**
- Saturday, 16 December 2017 – 9:00 a.m. to 1:00 p.m.**
- Monday, 18 December 2017 – 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 18 December 2017, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Vendor, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company (for itself and on behalf of the Vendor) and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Directors, the Vendor, the Sponsor 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;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section above, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 13 December 2017 until 11:30 a.m. on Monday, 18 December 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 18 December 2017 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center

1/F, One & Two Exchange Square

8 Connaught Place

Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, the Vendor, our Directors, the Sponsor 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Vendor, the Sponsor, 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, the Vendor, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the 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.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

10,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 13 December 2017 – 9:00 a.m. to 8:30 p.m.⁽¹⁾

Thursday, 14 December 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾

Friday, 15 December 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾

Monday, 18 December 2017 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 13 December 2017 until 12:00 noon on Monday, 18 December 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 Monday, 18 December 2017, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Vendor, 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.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Vendor, our Directors, the Sponsor, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form or **YELLOW** Application Form or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 18 December 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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All of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“*Unlisted company*” means a company with no equity securities listed on the Stock Exchange.

“*Statutory control*” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** Application Form and **YELLOW** Application Form have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** Application Form or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 18 December 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 18 December 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 27 December 2017 on our Company’s website at **www.lingyui.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.lingyui.com.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 27 December 2017;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 27 December 2017 to 12:00 midnight on Tuesday, 2 January 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 27 December 2017 to Tuesday, 2 January 2018 (excluding Saturday, Sunday and Hong Kong Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 27 December 2017 to Friday, 29 December 2017 at all the receiving bank’s designated branches set out in paragraph headed “Where to collect the Application Forms” in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If our Company accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- Your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.55 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 27 December 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 27 December 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 28 December 2017 provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 27 December 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 27 December 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 27 December 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

CCASS Participant's stock account as stated in your Application Form on Wednesday, 27 December 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 27 December 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 27 December 2017, or such other date as notified by our Company as the date of dispatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 27 December 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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(iv) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 27 December 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in the paragraph headed "11. Publication of results" above on Wednesday, 27 December 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 27 December 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 Wednesday, 27 December 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

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- 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 Wednesday, 27 December 2017.

15. ADMISSION OF THE SHARES INTO CCASS

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

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-47 received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LING YUI HOLDINGS LIMITED AND FRONTPAGE CAPITAL LIMITED****Introduction**

We report on the historical financial information of Ling Yui Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-47, which comprises the combined statements of financial position of the Group as at 31 March 2015, 2016 and 2017 and 31 July 2017, the statements of financial position of the Company as at 31 March 2017 and 31 July 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 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-47 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 13 December 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 the 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 give 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 March 2017 and 31 July 2017 and the Group's financial position as at 31 March 2015, 2016 and 2017 and 31 July 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 the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 31 July 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 of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 December 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 the consolidated financial statements of Smart Sage Limited ("Smart Sage") and its subsidiary, the consolidated financial statements of Southern Sun Investments Limited ("Southern Sun") and its subsidiary for the Track Record Period and the management accounts of the Company for the period from 24 January 2017 (date of incorporation) to 31 March 2017 and the four months ended 31 July 2017 (collectively referred to as "Underlying Financial Statements"). The consolidated financial statements of Smart Sage and its subsidiary and Southern Sun and its subsidiary, which are prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong 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.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March			Four months ended 31 July	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 <i>(unaudited)</i>	2017 HK\$'000
Revenue	6	74,282	120,465	219,328	37,634	90,315
Direct costs		<u>(50,981)</u>	<u>(93,281)</u>	<u>(169,339)</u>	<u>(29,069)</u>	<u>(74,010)</u>
Gross profit		23,301	27,184	49,989	8,565	16,305
Other income	7	1,003	1,509	3,364	3,159	578
Other gains and losses	7	47	290	65	–	150
Administrative expenses		(2,437)	(6,452)	(12,983)	(3,144)	(5,220)
Listing expenses		–	–	(2,292)	–	(4,673)
Finance costs	8	<u>(132)</u>	<u>(244)</u>	<u>(623)</u>	<u>(131)</u>	<u>(357)</u>
Profit before taxation	10	21,782	22,287	37,520	8,449	6,783
Income tax expense	11	<u>(3,609)</u>	<u>(3,757)</u>	<u>(6,565)</u>	<u>(1,432)</u>	<u>(1,890)</u>
Profit and total comprehensive income for the year/period		<u>18,173</u>	<u>18,530</u>	<u>30,955</u>	<u>7,017</u>	<u>4,893</u>
Profit and total comprehensive income attributable to:						
Owners of the Company		18,173	17,601	27,973	6,653	3,942
Non-controlling interests		<u>–</u>	<u>929</u>	<u>2,982</u>	<u>364</u>	<u>951</u>
		<u>18,173</u>	<u>18,530</u>	<u>30,955</u>	<u>7,017</u>	<u>4,893</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			The Company		
		As at 31 March			As at	As at	As at
		2015	2016	2017	31 July	31 March	31 July
	HK\$'000	HK\$'000	HK\$'000	2017	2017	2017	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets							
Property and equipment	14	9,901	15,425	20,199	24,970	–	–
Deposits	16	200	557	1,072	1,307	–	–
		<u>10,101</u>	<u>15,982</u>	<u>21,271</u>	<u>26,277</u>	<u>–</u>	<u>–</u>
Current assets							
Trade receivables	15	9,528	1,364	9,345	15,212	–	–
Deposits, prepayments and other receivables	16	4,517	8,053	6,787	4,098	675	2,169
Amounts due from customers for contract work	17	15,816	33,909	53,379	74,998	–	–
Amount due from a director	18	–	3,797	17,157	22,817	–	–
Pledged bank deposits	19	–	–	–	2,000	–	–
Bank balances and cash	19	3,264	4,593	33,162	11,833	–	–
		<u>33,125</u>	<u>51,716</u>	<u>119,830</u>	<u>130,958</u>	<u>675</u>	<u>2,169</u>
Current liabilities							
Trade payables	20	7,554	18,267	41,770	34,586	–	–
Other payables and accrued charges	21	2,572	4,888	10,737	18,497	–	4,600
Obligations under finance leases	22	2,390	4,202	7,180	8,639	–	–
Amounts due to customers for contract work	17	6,785	–	727	636	–	–
Amount due to a director	18	2,693	–	–	–	–	–
Amount due to a related company	18	–	–	–	–	2,967	4,534
Bank borrowings	23	–	–	6,143	14,340	–	–
Tax payable		1,821	836	3,989	4,646	–	–
		<u>23,815</u>	<u>28,193</u>	<u>70,546</u>	<u>81,344</u>	<u>2,967</u>	<u>9,134</u>
Net current assets (liabilities)		<u>9,310</u>	<u>23,523</u>	<u>49,284</u>	<u>49,614</u>	<u>(2,292)</u>	<u>(6,965)</u>
Total assets less current liabilities		<u>19,411</u>	<u>39,505</u>	<u>70,555</u>	<u>75,891</u>	<u>(2,292)</u>	<u>(6,965)</u>
Non-current liabilities							
Deferred tax liabilities	24	424	1,288	1,668	2,136	–	–
Obligations under finance leases	22	2,257	2,957	2,671	2,646	–	–
		<u>2,681</u>	<u>4,245</u>	<u>4,339</u>	<u>4,782</u>	<u>–</u>	<u>–</u>
Net assets (liabilities)		<u>16,730</u>	<u>35,260</u>	<u>66,216</u>	<u>71,109</u>	<u>(2,292)</u>	<u>(6,965)</u>

	NOTES	The Group			The Company		
		As at 31 March			As at	As at	As at
		2015	2016	2017	31 July	31 March	31 July
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Capital and reserves							
Issued share capital	25	1	1	148	148	-	
Reserves		<u>16,729</u>	<u>32,366</u>	<u>60,193</u>	<u>64,135</u>	<u>(2,292)</u>	
Equity attributable to owners of the Company		16,730	32,367	60,341	64,283	(2,292)	
Non-controlling interests		<u>-</u>	<u>2,893</u>	<u>5,875</u>	<u>6,826</u>	<u>-</u>	
Total equity		<u>16,730</u>	<u>35,260</u>	<u>66,216</u>	<u>71,109</u>	<u>(2,292)</u>	

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Issued share capital HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000		
At 1 April 2014	1	–	5,556	5,557	–	5,557
Profit and total comprehensive income for the year	–	–	18,173	18,173	–	18,173
Dividends paid (<i>note 12</i>)	–	–	(7,000)	(7,000)	–	(7,000)
At 31 March 2015	1	–	16,729	16,730	–	16,730
Change in shareholding in a subsidiary without losing control (<i>note</i>)	–	(1,964)	–	(1,964)	1,964	–
Profit and total comprehensive income for the year	–	–	17,601	17,601	929	18,530
At 31 March 2016	1	(1,964)	34,330	32,367	2,893	35,260
Transfer as part of the reorganisation (<i>notes 2(v) and 2(vi)</i>)	146	(146)	–	–	–	–
Issue of shares	1	–	–	1	–	1
Profit and total comprehensive income for the year	–	–	27,973	27,973	2,982	30,955
At 31 March 2017	148	(2,110)	62,303	60,341	5,875	66,216
Profit and total comprehensive income for the period	–	–	3,942	3,942	951	4,893
At 31 July 2017	148	(2,110)	66,245	64,283	6,826	71,109
At 1 April 2016	1	(1,964)	34,330	32,367	2,893	35,260
Profit and total comprehensive income for the period (unaudited)	–	–	6,653	6,653	364	7,017
At 31 July 2016 (unaudited)	1	(1,964)	40,983	39,020	3,257	42,277

Note: On 27 August 2015, Mr. Chan Siu Hung (“Mr. Chan”), the director of the Company, entered into a sale and purchase agreement with Mr. Lee Kim Ming (“Mr. Lee”), a controlling shareholder and director of the Company, pursuant to which Mr. Lee transferred 100 shares of Ming Lee Foundation Company Limited (“Ming Lee Foundation”), representing 10% equity interest of Ming Lee Foundation, to Mr. Chan at the cash consideration of HK\$5,000,000. Upon the completion of the share transfer, Ming Lee Foundation was owned as to 90% by Mr. Lee and 10% by Mr. Chan. Details are disclosed in note 2.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
<i>(unaudited)</i>					
OPERATING ACTIVITIES					
Profit before taxation	21,782	22,287	37,520	8,449	6,783
Adjustments for:					
Depreciation of property and equipment	4,057	4,673	6,944	2,177	1,808
Gain on disposal of property and equipment	(112)	(290)	(65)	–	(150)
Interest income	(3)	–	–	–	–
Interest expense	132	244	623	131	357
Allowance for bad and doubtful debts	65	–	–	–	–
Operating cash flows before movements in working capital	25,921	26,914	45,022	10,757	8,798
Increase in amounts due from/to customers for contract work, net	(9,302)	(24,878)	(18,743)	(414)	(21,710)
(Increase) decrease in trade receivables	(3,297)	8,164	(7,981)	(5,907)	(5,867)
(Increase) decrease in other receivables, deposits and prepayments	(4,476)	(3,536)	2,581	3,086	1,089
Increase (decrease) in trade payables	2,943	10,713	23,503	(4,098)	(7,184)
Increase (decrease) in other payables and accrued charges	1,672	2,456	6,609	(794)	7,760
Cash generated from (used in) operations	13,461	19,833	50,991	2,630	(17,114)
Income tax paid	(1,970)	(3,878)	(3,032)	(718)	(765)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	11,491	15,955	47,959	1,912	(17,879)

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
INVESTING ACTIVITIES					
Bank interest received	3	–	–	–	–
Advance to a director	–	(6,352)	(19,820)	(5,913)	(5,700)
Repayment from a director	–	2,555	6,460	1,030	40
Placement of pledged bank deposits	–	–	–	–	(2,000)
Purchases of property and equipment	(5,739)	(3,578)	(2,290)	(973)	(3,252)
Deposits paid for acquisition of property and equipment	(200)	(557)	(787)	–	(822)
Proceeds from disposals of property and equipment	127	420	160	–	3,650
	<u>127</u>	<u>420</u>	<u>160</u>	<u>–</u>	<u>3,650</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,809)</u>	<u>(7,512)</u>	<u>(16,277)</u>	<u>(5,856)</u>	<u>(8,084)</u>
FINANCING ACTIVITIES					
Advance from a director	9,154	–	–	–	–
Repayment to a director	(7,837)	(2,693)	–	–	–
Interest paid	(132)	(244)	(623)	(131)	(357)
Repayment of bank borrowings	(1,043)	–	(7,761)	(377)	(10,822)
New bank borrowings raised	–	–	13,904	4,600	19,019
Repayment of finance leases	(1,138)	(4,177)	(8,634)	(2,134)	(3,206)
Issue of share capital	–	–	1	–	–
Dividend paid	(7,000)	–	–	–	–
	<u>(7,000)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(7,996)</u>	<u>(7,114)</u>	<u>(3,113)</u>	<u>1,958</u>	<u>4,634</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(2,314)</u>	<u>1,329</u>	<u>28,569</u>	<u>(1,986)</u>	<u>(21,329)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	<u>5,578</u>	<u>3,264</u>	<u>4,593</u>	<u>4,593</u>	<u>33,162</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	<u><u>3,264</u></u>	<u><u>4,593</u></u>	<u><u>33,162</u></u>	<u><u>2,607</u></u>	<u><u>11,833</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 24 January 2017. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus. The immediate holding company of the Company is Simple Joy Investments Limited ("Simple Joy"), which is incorporated in the British Virgin Islands ("BVI") and is owned by Mr. Lee.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in provision of foundation engineering services in Hong Kong.

The functional currency of companies comprising the Group is HK\$.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Historically, Mr. Lee owned 100% equity interest in Ming Lee Foundation and 50% equity interest in Ming Lee Engineering Company Limited ("Ming Lee Engineering"). Remaining 50% equity interest in Ming Lee Engineering are owned by Ms. Yeung Yuen Man ("Ms. Yeung"), the spouse of Mr. Lee and Ms. Yeung held the interest of Ming Lee Engineering on behalf of Mr. Lee. On 27 August 2015, Mr. Chan entered into a sale and purchase agreement with Mr. Lee to acquire 10% interest of Ming Lee Foundation at a cash consideration of HK\$5,000,000 from Mr. Lee. Upon the completion of the transfer, Mr. Chan owned 10% equity interest in Ming Lee Foundation. Before the reorganisation ("Reorganisation") as defined below, Ming Lee Engineering and Ming Lee Foundation, the operating subsidiaries, were controlled Mr. Lee.

In preparation of the listing of the Company's shares on the Stock Exchange (the "Listing"), the companies comprising the Group underwent the Reorganisation as described below.

- (i) Smart Sage was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of United States Dollar ("USD") 1 each. One share of Smart Sage was allotted and issued at par to Simple Joy on 18 January 2017.
- (ii) Southern Sun was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of USD 1 each. 90 and 10 shares of Southern Sun were allotted and issued at par to Simple Joy and Simply Marvel Limited ("Simply Marvel"), an entity incorporated in the BVI with limited liability and owned by Mr. Chan, respectively, on 18 January 2017.
- (iii) The Company was incorporated on 24 January 2017 in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One share of the Company was allotted and issued to the initial subscriber and was subsequently transferred to Simple Joy on 24 January 2017.
- (iv) On 22 March 2017, Mr. Lee acquired one share in Ming Lee Engineering from Ms. Yeung, at a cash consideration of HK\$1.
- (v) On 30 March 2017, Smart Sage acquired entire equity interest of Ming Lee Engineering from Mr. Lee in consideration of the allotment and issue of 9,999 shares of Smart Sage to Simple Joy. Upon the completion of transfer, Ming Lee Engineering became the wholly-owned subsidiary of Smart Sage.
- (vi) On 30 March 2017, Southern Sun acquired 90% and 10% equity interest of Ming Lee Foundation from Mr. Lee and Mr. Chan in consideration of the allotment and issue of 8,991 and 999 shares of Southern Sun to Simple Joy and Simply Marvel, respectively. Upon the completion of transfer, Simple Joy owned 90% equity interest in Ming Lee Foundation.

- (vii) On 4 December 2017, the Company acquired 90% equity interest in Southern Sun and entire equity interest in Smart Sage in consideration of the allotment and issue of 9,134 shares of the Company to Simple Joy and the Company acquired 10% equity interest in Southern Sun on consideration of the allotment and issue of 865 shares of the Company to Simply Marvel. Upon the completion of the transfer, Southern Sun and Smart Sage became the wholly-owned subsidiaries of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 4 December 2017 and Ming Lee Foundation and Ming Lee Engineering are controlled by Mr. Lee before and after the Reorganisation.

The Historical Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting Under Common Control Combinations” issued by HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period 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 combined statements of financial position of the Group as at 31 March 2015, 2016 and 2017 and 31 July 2017 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. The equity interest attributable to parties other than controlling party, namely Mr. Lee, is treated as non-controlling interests.

3. ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial period beginning on 1 April 2017 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs and interpretations (the “new and revised HKFRSs”) which are not yet effective.

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and related amendments ¹
HKFRS 16	Leases ³
Amendments to HKAS 40	Transfers of investment property ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 9	Prepayment features with negative compensation ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle except for amendments to HKFRS 12 ¹
HK(IFRIC) – Interpretation 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC) – Interpretation 23	Uncertainty over income tax treatments ³

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2019.

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 loss are recognised.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers and related parties is low. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future financial statements. It is also expected that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 July 2017.

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, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

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 July 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.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying asset would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 July 2017, the Group has non-cancellable operating lease commitments of HK\$3,035,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's result.

Except as disclosed 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. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this 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", 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 adopted are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the 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.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and cash component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Where 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, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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 businesses first came under control of the controlling entity.

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, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined 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 is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business.

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 foundation engineering services is described in accounting policy for engineering service contracts below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property 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 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 life.

An item of property 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 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.

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/period. A reversal of an impairment loss is recognised in profit or loss immediately.

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 combined statements of financial position under trade receivables.

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 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 or 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, deposits and other receivables, amount due from a director, 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 where 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 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 asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of 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 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

The Group's financial liabilities including trade payables, other payables and accrued charges, amount due to a director, bank borrowings and amount due to a related company 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, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan 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 in respect of wages and salaries, annual leave and sick leave after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits 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 the employees up to each of the 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.

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.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

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.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before taxation' as reported in the combined 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 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 profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (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 are 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).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates 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 is 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 twelve months.

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 construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to

keep the budget accurate and up-to-date, 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 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 SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from the foundation engineering services provided by the Group to external customers. The Group's revenue is solely derived from foundation engineering services 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 and equipment amounting to HK\$9,901,000, HK\$15,425,000, HK\$20,199,000 and HK\$24,970,000 as at 31 March 2015, 2016 and 2017 and 31 July 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 during the Track Record Period is as follows:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Customer A	29,798	83,266	106,285	25,705	—*
Customer B	24,064	27,102	69,184	11,783	33,340
Customer C	12,136	—*	—*	—*	—#
Customer D	—#	—#	33,461	—#	34,927
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Less than 10% of the Group's total revenue for the relevant year/period

No revenue attributed from the customers for the relevant year/period

7. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Bank interest income	3	–	–	–	–
Rental income from machineries	1,000	1,205	3,209	3,159	–
Income from sale of rock	–	–	–	–	528
Sundry income	–	304	155	–	50
	<u>1,003</u>	<u>1,509</u>	<u>3,364</u>	<u>3,159</u>	<u>578</u>

Other gains and losses

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Gain on disposal of property and equipment	112	290	65	–	150
Allowance for bad and doubtful debts	(65)	–	–	–	–
	<u>47</u>	<u>290</u>	<u>65</u>	<u>–</u>	<u>150</u>

8. FINANCE COSTS

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Interest on:					
Obligations under finance leases	98	244	430	118	180
Bank borrowings	34	–	193	13	177
	<u>132</u>	<u>244</u>	<u>623</u>	<u>131</u>	<u>357</u>

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Lee was appointed as director of the Company on 24 January 2017 and Mr. Chan was appointed as director of the Company on 25 May 2017. The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

	Mr. Lee <i>HK\$'000</i> <i>(Note i)</i>	Mr. Chan <i>HK\$'000</i> <i>(Note ii)</i>	Total <i>HK\$'000</i>
Year ended 31 March 2015			
Fees	268	–	268
Other emoluments			
Salaries and other benefits	–	324	324
Retirement benefit scheme contributions	–	6	6
Total emoluments	<u>268</u>	<u>330</u>	<u>598</u>
	Mr. Lee <i>HK\$'000</i> <i>(Note i)</i>	Mr. Chan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2016			
Fees	500	–	500
Other emoluments			
Salaries and other benefits	–	848	848
Retirement benefit scheme contributions	–	18	18
Total emoluments	<u>500</u>	<u>866</u>	<u>1,366</u>
	Mr. Lee <i>HK\$'000</i> <i>(Note i)</i>	Mr. Chan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2017			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	600	1,037	1,637
Retirement benefit scheme contributions	18	18	36
Total emoluments	<u>618</u>	<u>1,055</u>	<u>1,673</u>

	Mr. Lee <i>HK\$'000</i> <i>(Note i)</i>	Mr. Chan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Four months ended 31 July 2016 (unaudited)			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	200	310	510
Retirement benefit scheme contributions	<u>6</u>	<u>6</u>	<u>12</u>
Total emoluments	<u>206</u>	<u>316</u>	<u>522</u>

	Mr. Lee <i>HK\$'000</i> <i>(Note i)</i>	Mr. Chan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Four months ended 31 July 2017			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	200	341	541
Retirement benefit scheme contributions	<u>6</u>	<u>6</u>	<u>12</u>
Total emoluments	<u>206</u>	<u>347</u>	<u>553</u>

Notes:

- (i) Mr. Lee acts as chief executive of the Group.
- (ii) Mr. Chan became a director of Ming Lee Foundation on 27 August 2015.

The directors' emoluments shown above are for their services in connection with the management of the affairs of the Group and the Company.

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. Each of the directors has not waived any remuneration during the Track Record Period.

(b) Employees' emoluments

The five highest paid individuals included Mr. Lee and Mr. Chan during the Track Record Period, except for the four months ended 31 July 2017 in which Mr. Lee was not one of the five highest paid individuals. The emoluments of Mr. Lee and Mr. Chan are included in the disclosures in (a) above for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2016 (unaudited) and 2017. The emoluments of the remaining individuals for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2016 (unaudited) and 2017 were as follows:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Salaries and other benefits	1,340	1,296	1,568	516	998
Bonus (<i>Note</i>)	–	154	236	52	95
Retirement benefit scheme contributions	47	45	54	18	24
	<u>1,387</u>	<u>1,495</u>	<u>1,858</u>	<u>586</u>	<u>1,117</u>

Note: Bonus are determined based on financial performance of the Group.

Their emoluments were within the following bands:

	Year ended 31 March			Four months ended 31 July	
	2015 <i>Number of employees</i>	2016 <i>Number of employees</i>	2017 <i>Number of employees</i>	2016 <i>Number of employees (unaudited)</i>	2017 <i>Number of employees</i>
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</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.

10. PROFIT BEFORE TAXATION

	Year ended 31 March			Four months ended	
	2015	2016	2017	31 July	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				<i>(unaudited)</i>	
Profit before taxation has been arrived at after charging:					
Auditor's remuneration	23	52	60	20	20
Depreciation of property and equipment	4,057	4,673	6,944	2,177	1,808
Directors' remuneration (<i>note 9</i>)	598	1,366	1,673	522	553
Other staff costs					
Salaries and other benefits	6,300	11,408	25,401	5,696	13,094
Retirement benefits scheme contributions	240	426	898	216	446
Total staff costs	7,138	13,200	27,972	6,434	14,093
Minimum lease payments under operating leases in respect of:					
– land and buildings	304	977	1,554	412	596
– machineries and construction equipment	201	649	1,504	210	931
	<u>505</u>	<u>1,626</u>	<u>3,058</u>	<u>622</u>	<u>1,527</u>

11. INCOME TAX EXPENSE

	Year ended 31 March			Four months ended	
	2015	2016	2017	31 July	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				<i>(unaudited)</i>	
Hong Kong Profits Tax:					
Current tax	3,211	2,893	6,185	1,132	1,422
Deferred tax (<i>note 24</i>)	<u>398</u>	<u>864</u>	<u>380</u>	<u>300</u>	<u>468</u>
	<u>3,609</u>	<u>3,757</u>	<u>6,565</u>	<u>1,432</u>	<u>1,890</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

The income tax expense for the year/period can be reconciled to the profit before taxation as follows:

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	<u>21,782</u>	<u>22,287</u>	<u>37,520</u>	<u>8,449</u>	<u>6,783</u>
Tax at the domestic income tax rate	3,594	3,677	6,191	1,394	1,119
Tax effect of income not taxable for tax purpose	(1)	–	–	–	–
Tax effect of expenses not deductible for tax purpose	2	1	378	–	771
Others	<u>14</u>	<u>79</u>	<u>(4)</u>	<u>38</u>	<u>–</u>
Income tax expense for the year/period	<u>3,609</u>	<u>3,757</u>	<u>6,565</u>	<u>1,432</u>	<u>1,890</u>

12. DIVIDEND

During the year ended 31 March 2015, Ming Lee Foundation declared and paid dividends of HK\$7,000,000 (HK\$35,000 per share of Ming Lee Foundation) to Mr. Lee. No dividend was paid or proposed by the directors of respective group entities for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2016 (unaudited) and 2017. No dividend was paid or declared by the Company since its incorporation.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in note 2.

14. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Machineries and construction equipment HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2014	–	6,553	39	1,721	8,313
Additions	–	10,805	–	866	11,671
Disposals	–	(60)	–	(35)	(95)
At 31 March 2015	–	17,298	39	2,552	19,889
Additions	388	3,321	–	6,618	10,327
Disposals	–	(130)	–	(405)	(535)
At 31 March 2016	388	20,489	39	8,765	29,681
Additions	527	12,428	139	319	13,413
Disposals	(388)	(7,024)	–	–	(7,412)
At 31 March 2017	527	25,893	178	9,084	35,682
Additions	–	8,048	–	431	8,479
Disposals	–	(2,580)	–	–	(2,580)
At 31 July 2017	527	31,361	178	9,515	41,581
DEPRECIATION					
At 1 April 2014	–	4,962	39	1,010	6,011
Provided for the year	–	3,583	–	474	4,057
Eliminated on disposals	–	(45)	–	(35)	(80)
At 31 March 2015	–	8,500	39	1,449	9,988
Provided for the year	145	3,263	–	1,265	4,673
Eliminated on disposals	–	–	–	(405)	(405)
At 31 March 2016	145	11,763	39	2,309	14,256
Provided for the year	326	4,469	26	2,123	6,944
Eliminated on disposals	(339)	(5,378)	–	–	(5,717)
At 31 March 2017	132	10,854	65	4,432	15,483
Provided for the period	59	1,070	11	668	1,808
Eliminated on disposals	–	(680)	–	–	(680)
At 31 July 2017	191	11,244	76	5,100	16,611
CARRYING AMOUNTS					
At 31 March 2015	–	8,798	–	1,103	9,901
At 31 March 2016	243	8,726	–	6,456	15,425
At 31 March 2017	395	15,039	113	4,652	20,199
At 31 July 2017	336	20,117	102	4,415	24,970

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the lease terms
Machineries and construction equipment	4 to 10 years
Computer and office equipment	4 years
Motor vehicles	4 years

The net book value of machineries and construction equipment includes an amount of HK\$6,041,000, HK\$4,528,000, HK\$12,175,000 and HK\$16,757,000 as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively, and the net book value of motor vehicles includes an amount of HK\$845,000, HK\$4,931,000, HK\$3,615,000 and HK\$2,671,000 as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively, in respect of assets held under finance leases.

15. TRADE RECEIVABLES

The Group grants credit terms of 7 to 30 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 – 30 days	8,565	1,364	9,177	13,457
31 – 60 days	25	–	168	1,494
61 – 90 days	40	–	–	261
91 – 180 days	–	–	–	–
Over 180 days	898	–	–	–
	<u>9,528</u>	<u>1,364</u>	<u>9,345</u>	<u>15,212</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 90%, 100%, 0% and 88% of trade receivables as at 31 March 2015, 2016 and 2017 and 31 July 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\$963,000, HK\$9,345,000 and HK\$1,755,000 which are past due at 31 March 2015, 31 March 2017 and 31 July 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 323 days, 16 days and 39 days as at 31 March 2015, 31 March 2017 and 31 July 2017, respectively.

Ageing analysis of trade receivables which are past due but not impaired

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
1 – 30 days	25	–	9,177	1,093
31 – 60 days	40	–	168	401
61 – 90 days	–	–	–	261
Over 90 days	898	–	–	–
Total	<u>963</u>	<u>–</u>	<u>9,345</u>	<u>1,755</u>

Movement in allowance for bad and doubtful debts

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Balance of beginning of the year/period	–	–	–	–
Impairment losses recognised	65	–	–	–
Amounts written off as uncollectible	(65)	–	–	–
Balance at end of the year/period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</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 impaired 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 directors of the Company believe that no recognition of impairment is required.

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group			The Company		
	As at 31 March			As at	As at	As at
	2015	2016	2017	31 July	31 March	31 July
	HK\$'000	HK\$'000	HK\$'000	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits for acquisition of property and equipment	200	557	787	1,022	–	–
Deposits	4,517	5,697	4,462	1,850	–	–
Receivable from the proceeds of disposal of property and equipment	–	–	1,600	–	–	–
Other receivables	–	2,354	240	239	–	–
Prepayments	–	2	95	125	–	–
Deferred listing expenses	–	–	675	2,169	675	2,169
Total	<u>4,717</u>	<u>8,610</u>	<u>7,859</u>	<u>5,405</u>	<u>675</u>	<u>2,169</u>
Presented as non-current assets	200	557	1,072	1,307	–	–
Presented as current assets	<u>4,517</u>	<u>8,053</u>	<u>6,787</u>	<u>4,098</u>	<u>675</u>	<u>2,169</u>
Total	<u>4,717</u>	<u>8,610</u>	<u>7,859</u>	<u>5,405</u>	<u>675</u>	<u>2,169</u>

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the end of the reporting period:				
Contract costs incurred plus recognised profits less recognised loss	64,514	112,964	251,199	263,682
Less: Progress billings	<u>(55,483)</u>	<u>(79,055)</u>	<u>(198,547)</u>	<u>(189,320)</u>
Total	<u>9,031</u>	<u>33,909</u>	<u>52,652</u>	<u>74,362</u>
Analysed as:				
Amounts due from customers for contract work	15,816	33,909	53,379	74,998
Amounts due to customers for contract work	<u>(6,785)</u>	<u>–</u>	<u>(727)</u>	<u>(636)</u>
Total	<u>9,031</u>	<u>33,909</u>	<u>52,652</u>	<u>74,362</u>

Unbilled retention receivables of HK\$684,000, HK\$5,818,000, HK\$17,081,000 and HK\$22,810,000 are included in the above contracts in progress as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. Retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

The unbilled retention receivables are to be settled, based on the expiry date of the defect liability period, at the end of each reporting period as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
On demand or within one year	–	–	5,544	10,053
After one year	684	5,818	11,537	12,757
	<u>684</u>	<u>5,818</u>	<u>17,081</u>	<u>22,810</u>

18. AMOUNTS DUE FROM/TO A DIRECTOR AND A RELATED COMPANY

The Group

Amount due from a director

Details of amount due from a director, which is non-trade nature, unsecured, interest-free and repayable on demand.

	As at 31 March			As at	Maximum amount outstanding during the year ended 31 March			Maximum amount outstanding during the four months ended
	2015	2016	2017	31 July	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Lee	<u>–</u>	<u>3,797</u>	<u>17,157</u>	<u>22,817</u>	<u>–</u>	<u>3,797</u>	<u>17,387</u>	<u>22,837</u>

The amount was fully settled subsequent to 31 July 2017.

Amount due to a director

Details of amount due to a director, which is non-trade nature, unsecured, interest-free and repayable on demand are as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Mr. Lee	<u>2,693</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Company

Amount due to a related company

Amount due to Ming Lee Foundation is non-trade nature, unsecured, interest-free and repayable on demand.

19. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 July 2017, pledged bank deposits represent deposits pledged to a bank to secure the banking facilities granted to the Group, and carried with prevailing market interest rate of 0.01% per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate of 0.01% per annum.

20. TRADE PAYABLES

The credit period is 0 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 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
0 – 30 days	7,554	12,942	20,064	12,802
31 – 60 days	–	4,396	17,714	10,117
Over 60 days	–	929	3,992	11,667
	<u>7,554</u>	<u>18,267</u>	<u>41,770</u>	<u>34,586</u>

21. OTHER PAYABLES AND ACCRUED CHARGES

	The Group			The Company		
	As at 31 March			As at	As at	As at
	2015	2016	2017	31 July	31 March	31 July
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued charges	801	1,265	3,626	4,451	–	–
Accrued listing expenses	–	–	–	4,600	–	4,600
Payable for the acquisition of property and equipment	900	760	–	–	–	–
Receipt in advance	–	20	300	–	–	–
Retention payable	871	2,843	6,811	9,446	–	–
	<u>2,572</u>	<u>4,888</u>	<u>10,737</u>	<u>18,497</u>	<u>–</u>	<u>4,600</u>

22. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its machineries and motor vehicles under finance leases with terms ranged from two to four years. The interest rates were ranged from 3.7% to 7.1%, 3.1% to 6.0%, 3.1% to 6.0% and 3.0% to 6.8% per annum as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively.

	Minimum lease payments				Present value of minimum lease payments			
	as at 31 March		as at 31 July		as at 31 March		as at 31 July	
	2015	2016	2017	2017	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:								
Within one year	2,582	4,415	7,545	9,077	2,390	4,202	7,180	8,639
More than one year but within two years	2,281	1,638	2,623	2,734	2,207	1,545	2,488	2,646
More than two years but within five years	54	1,496	194	–	50	1,412	183	–
	4,917	7,549	10,362	11,811	4,647	7,159	9,851	11,285
Less: Future finance charges	(270)	(390)	(511)	(526)	–	–	–	–
Present value of lease obligations	<u>4,647</u>	<u>7,159</u>	<u>9,851</u>	<u>11,285</u>	4,647	7,159	9,851	11,285
Less: Amounts due for settlement within one year (shown as current liabilities)					(2,390)	(4,202)	(7,180)	(8,639)
Amounts due for settlement after one year					<u>2,257</u>	<u>2,957</u>	<u>2,671</u>	<u>2,646</u>

The Group's obligations under finance leases were secured by the lessor's charge over the machineries and motor vehicles and was guaranteed by Mr. Lee.

23. BANK BORROWINGS

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Guaranteed bank borrowings repayable within one year				
– Secured	–	–	–	9,030
– Unsecured	–	–	6,143	5,310
	<u>–</u>	<u>–</u>	<u>6,143</u>	<u>14,340</u>

The bank borrowings contain repayment on demand clause and repayable within one year based on scheduled repayment dates set out in the loan agreements.

The variable-rate bank borrowings bear interest ranged from Hong Kong Prime Rate minus 0.25% to Hong Kong Prime Rate minus 1.75% per annum as at 31 March 2017 and Hong Kong Prime Rate minus 0.75% to Hong Kong Prime Rate minus 0.25% per annum as at 31 July 2017. The bank borrowings as at 31 March 2017 are guaranteed by Mr. Lee and as at 31 July 2017 are guaranteed by Mr. Lee and secured by pledged bank deposit.

The range of interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at 31 March 2015, 2016 and 2017 and 31 July 2017 respectively, are as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
				2017
Effective interest rates per annum:				
Variable-rate borrowings	<u>–</u>	<u>–</u>	<u>3.5%-5%</u>	<u>4.5%-5%</u>

24. DEFERRED TAXATION

The following are the major deferred tax liability recognised and movements thereon during the Track Record Period:

	Accelerated tax depreciation
	HK\$'000
At 1 April 2014	26
Charge to profit or loss	<u>398</u>
At 31 March 2015	424
Charge to profit or loss	<u>864</u>
At 31 March 2016	1,288
Charge to profit or loss	<u>380</u>
At 31 March 2017	1,668
Charge to profit or loss	<u>468</u>
At 31 July 2017	<u><u>2,136</u></u>

25. ISSUED SHARE CAPITAL

The issued share capital as at 1 April 2014, 31 March 2015 and 2016 represented the combined share capital of Ming Lee Foundation and Ming Lee Engineering.

The issued share capital as at 31 March 2017 and 31 July 2017 represented the combined share capital of (i) 1 share of the Company of HK\$0.01; (ii) 10,000 shares of Smart Sage of USD1 each; and (iii) 9,000 shares of Southern Sun of USD1 each held by Mr. Lee.

The Company

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 24 January 2017 (date of incorporation), 31 March 2017 and 31 July 2017	<u>38,000,000</u>	<u>380,000</u>
Issued and fully paid:		
At 24 January 2017 (date of incorporation), 31 March 2017 and 31 July 2017	<u>1</u>	<u>-</u>

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt and equity of the Group, comprising issued share capital, other reserve and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and raising new borrowings.

27. FINANCIAL INSTRUMENTS**Categories of financial instruments**

	The Group			The Company		
	As at 31 March			As at 31 July	As at 31 March	As at 31 July
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Financial assets						
Loans and receivables (including cash and cash equivalents)	<u>17,309</u>	<u>17,805</u>	<u>65,681</u>	<u>53,666</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Amortised cost	<u>12,819</u>	<u>23,135</u>	<u>58,350</u>	<u>67,423</u>	<u>2,967</u>	<u>9,134</u>

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, deposits, other receivables, amount due from/to a director, bank balances and cash, pledged bank deposits, trade payables, other payables and accrued charges and bank borrowings. The Company's financial instrument includes amount due to a related company and other payables and accrued charges. 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 of the Group manages and monitors these exposures to ensure appropriate measures are implemented on 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 of the Group considers that the Group's exposure to foreign currency risk is minimal.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's fixed-rate obligations under finance leases. The Group's cash flow interest rate risk primarily relates to the variable-rate bank balances (note 19) as at 31 March 2015, 2016 and 2017 and 31 July 2017, variable-rate pledged bank deposits (note 19) as at 31 July 2017 and variable-rate bank borrowings (note 23) as at 31 March 2017 and 31 July 2017.

The Group has not used any interest rate swaps 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

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year/period. A 100 basis point increase or decrease in variable-rate bank borrowings are used and represents management's assessment of the reasonably possible change in interest rates. Bank balances and pledged bank deposits are excluded from sensitivity analysis as the management of the Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged bank deposits is insignificant.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2017 and the four months ended 31 July 2017 would decrease/increase by HK\$51,000 and HK\$40,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, bank balances and pledged bank deposits.

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 amount of the respective recognised financial assets as stated in the combined statements of financial position at the end of each reporting period.

Management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information and credit search, is 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 top two debtors amounting to HK\$9,098,000, HK\$1,364,000, HK\$9,343,000 and HK\$12,180,000, respectively, comprised approximately 95.5%, 100.0%, 100.0% and 80.1% of the Group's trade receivables as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. The directors of the Company closely monitor the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk for bank balances and pledged bank deposits 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 and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The table includes both interest and principal cash flows.

The Group

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2015							
Non-derivative financial liabilities							
Trade payables	–	–	7,554	–	–	7,554	7,554
Other payables and accrued charges	–	–	2,572	–	–	2,572	2,572
Amount due to a director	–	2,693	–	–	–	2,693	2,693
Obligations under finance leases	5.8	–	2,582	2,281	54	4,917	4,647
		2,693	12,708	2,281	54	17,736	17,466

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2016							
Non-derivative financial liabilities							
Trade payables	–	–	18,267	–	–	18,267	18,267
Other payables and accrued charges	–	–	4,868	–	–	4,868	4,868
Obligations under finance leases	5.4	–	4,415	1,638	1,496	7,549	7,159
		–	27,550	1,638	1,496	30,684	30,294

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2017							
Non-derivative financial liabilities							
Trade payables	–	–	41,770	–	–	41,770	41,770
Other payables and accrued charges	–	–	10,437	–	–	10,437	10,437
Bank borrowings	4.7	6,143	–	–	–	6,143	6,143
Obligations under finance leases	5.2	–	7,545	2,623	194	10,362	9,851
		<u>6,143</u>	<u>59,752</u>	<u>2,623</u>	<u>194</u>	<u>68,712</u>	<u>68,201</u>

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 July 2017							
Non-derivative financial liabilities							
Trade payables	–	–	34,586	–	–	34,586	34,586
Other payables and accrued charges	–	–	18,497	–	–	18,497	18,497
Bank borrowings	4.5	14,340	–	–	–	14,340	14,340
Obligations under finance leases	4.8	–	9,077	2,734	–	11,811	11,285
		<u>14,340</u>	<u>62,160</u>	<u>2,734</u>	<u>–</u>	<u>79,234</u>	<u>78,708</u>

Bank borrowings with a repayment on demand clause are included in the “Repayable on demand” time band in the above maturity analysis. As at 31 March 2017 and 31 July 2017, the aggregate carrying amount of these bank borrowings amounted to approximately HK\$6,143,000 and HK\$14,340,000 respectively. Taking into account the Group’s financial position, management of the Group does not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows will amount to HK\$6,199,000 and HK\$14,459,000 repayable within 1 year based on the effective interest rate as at 31 March 2017 and 31 July 2017 respectively.

The Company

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2017							
Non-derivative financial liability							
Amount due to a related company	-	2,967	-	-	-	2,967	2,967
As at 31 July 2017							
Non-derivative financial liability							
Other payables and accrued charges	-	-	4,600	-	-	4,600	4,600
Amount due to a related company	-	4,534	-	-	-	4,534	4,534
	-	4,534	4,600	-	-	9,134	9,134

Fair value of financial instruments

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.

28. OPERATING LEASE COMMITMENTS**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	As at 31 March			As at 31 July 2017
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Within one year	-	766	1,433	1,852
In the second to fifth year inclusive	-	951	1,649	1,183
	-	1,717	3,082	3,035

The above operating lease payments represent rental payable by the Group for office premises and warehouse. Leases and rentals are negotiated and fixed for a term of two to three years.

29. CAPITAL COMMITMENTS

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the Historical Financial Information	417	3,009	4,201	6,678

30. MAJOR NON-CASH TRANSACTIONS

During the Track Record Period, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$5,032,000, HK\$6,689,000, HK\$11,326,000 and HK\$4,640,000 respectively for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively.

31. RELATED PARTY TRANSACTIONS

Details of the balance with a director at the end of each reporting period are disclosed in the statements of financial position, combined statements of cash flows and note 18.

Mr. Lee provided unlimited personal guarantees to banks in respect of the Group's bank borrowings as at 31 March 2017 and 31 July 2017 and obligations under finance leases as at 31 March 2015, 2016 and 2017 and 31 July 2017.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2016 (unaudited) and 2017 were as follows:

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	1,485	2,398	3,154	952	1,104
Post-employment benefits	39	52	87	27	30
	<u>1,524</u>	<u>2,450</u>	<u>3,241</u>	<u>979</u>	<u>1,134</u>

32. 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 combined 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.

33. RESERVE OF THE COMPANY

	Accumulated losses HK\$'000
At 24 January 2017 (date of incorporation)	–
Loss and total comprehensive expense for the period	<u>(2,292)</u>
At 31 March 2017	(2,292)
Loss and total comprehensive expense for the period	<u>(4,673)</u>
At 31 July 2017	<u><u>(6,965)</u></u>

34. MOVEMENT OF THE GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Amount due to a director <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	1,376	1,043	753	3,172
Financing cash flows (<i>note</i>)	1,317	(1,077)	(1,236)	(996)
Purchase of property and equipment through finance leases	–	–	5,032	5,032
Finance costs recognised	–	34	98	132
At 31 March 2015	2,693	–	4,647	7,340
Financing cash flows (<i>note</i>)	(2,693)	–	(4,421)	(7,114)
Purchase of property and equipment through finance leases	–	–	6,689	6,689
Finance costs recognised	–	–	244	244
At 31 March 2016	–	–	7,159	7,159
Financing cash flows (<i>note</i>)	–	5,950	(9,064)	(3,113)
Purchase of property and equipment through finance leases	–	–	11,326	11,326
Finance costs recognised	–	193	430	623
At 31 March 2017	–	6,143	9,851	15,995
Financing cash flows (<i>note</i>)	–	8,020	(3,386)	4,634
Purchase of property and equipment through finance leases	–	–	4,640	4,640
Finance costs recognised	–	177	180	357
At 31 July 2017	<u>–</u>	<u>14,340</u>	<u>11,285</u>	<u>25,626</u>
At 1 April 2016	–	–	7,159	7,159
Financing cash flows (<i>note</i>)	–	4,210	(2,252)	1,958
Purchase of property and equipment through finance leases	–	–	9,702	9,702
Finance costs recognised	–	13	118	131
At 31 July 2016 (unaudited)	<u>–</u>	<u>4,223</u>	<u>14,727</u>	<u>18,950</u>

Note: The financing cash flows represented the net amount of proceeds from bank borrowings, advance from a director, payment of finance costs, repayment to a director and repayments of bank borrowings and finance leases.

35. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at				date of this report	Principal activities	Notes
				31 March		31 July				
				2015	2016	2017	2017			
Smart Sage	BVI 3 January 2017	BVI/Hong Kong	USD10,000	N/A	N/A	100%	100%	100%	Investment holding	(a)
Southern Sun	BVI 3 January 2017	BVI/Hong Kong	USD10,000	N/A	N/A	100%	100%	100%	Investment holding	(a)
Ming Lee Foundation	Hong Kong 27 December 2002	Hong Kong	HK\$1,000	100%	90%	90%	90%	100%	Provision of foundation engineering work	(b)
Ming Lee Engineering	Hong Kong 16 December 2008	Hong Kong	HK\$2	100%	100%	100%	100%	100%	Provision of engineering work	(b)

All the companies comprising the Group have adopted 31 March as their financial year end date.

Notes:

- (a) No audited financial statements have been prepared for Smart Sage and Southern Sun since their respective dates of incorporation where there are no statutory audit requirements.
- (b) We have acted as the statutory auditor of Ming Lee Foundation and Ming Lee Engineering for the year ended 31 March 2017, Lai Yiu Hong, Certified Public Accountants (Practising) had acted as the statutory auditor of Ming Lee Foundation and Ming Lee Engineering for the year ended 31 March 2016 and Wong Fuk Shing, Philip, Certified Public Accountants (Practising) had acted as the statutory auditor of Ming Lee Foundation and Ming Lee Engineering for the year ended 31 March 2015. The statutory financial statements of Ming Lee Foundation and Ming Lee Engineering for the year ended 31 March 2015 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA, and the statutory financial statements of Ming Lee Foundation and Ming Lee Engineering for the years ended 31 March 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA.

36. MATERIAL NON-CONTROLLING INTERESTS

Summarised financial information for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017 in respect of Ming Lee Foundation is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	As at			
	31 March 2016	31 March 2017	31 July 2017	
	HK\$'000	HK\$'000	HK\$'000	
Non-current assets	10,184	17,269	22,802	
Current assets	48,007	115,335	126,241	
Current liabilities	(25,695)	(70,023)	(76,513)	
Non-current liabilities	(3,566)	(3,828)	(4,270)	
Total equity	28,930	58,753	68,260	
Equity attributable to the controlling shareholder of Ming Lee Foundation	26,037	52,878	61,434	
Non-controlling interests of Ming Lee Foundation	2,893	5,875	6,826	
	28,930	58,753	68,260	
	Year ended 31 March 2016	2017	Four months ended 31 July 2016	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
			<i>(unaudited)</i>	
Revenue, other income and other gain	119,189	219,557	37,634	91,023
Expenses	(103,024)	(183,818)	(32,617)	(79,639)
Taxation	(2,647)	(5,916)	(1,380)	(1,877)
Profit and other comprehensive income for the year/period	13,518	29,823	3,637	9,507
Profit and other comprehensive income for the period since the acquisition of 10% interests by Mr. Chan/year/period attributable to				
– the controlling shareholder of Ming Lee Foundation	12,589	26,841	3,273	8,556
– non-controlling interests of Ming Lee Foundation	929	2,982	364	951
	13,518	29,823	3,637	9,507
Net cash inflow (outflow) from operating activities	6,860	43,970	963	(16,666)
Net cash outflow from investing activities	(3,594)	(9,977)	(2,814)	(7,577)
Net cash (outflow) inflow from financing activities	(3,914)	(3,195)	2,155	3,147
Net cash (outflow) inflow	(648)	30,798	304	(21,096)

37. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group and detailed as below.

On 4 December 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 existing Shareholders passed on 4 December 2017” in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) its authorised share capital increased from HK\$380,000 divided into 38,000,000 shares of the Company of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of the Company of HK\$0.01 each;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company’s shares. 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; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company’s shares, the directors of the Company were authorised to capitalise the amount of HK\$6,599,900 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 659,990,000 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 4 December 2017.

On 6 December 2017, the Company declared dividends of HK\$21,881,000 to its shareholders. Dividends attributable to Mr. Lee of approximately HK\$19,988,000 are settled through the current account with him.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 July 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 31 March 2017 and the four months ended 31 July 2017 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, 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 COMBINED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to 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 combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 as if the Share Offer had taken place on that date.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 July 2017 or any future date following the Share Offer.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 July 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 combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on Offer Price of HK\$0.45 per Offer Share	<u>64,283</u>	<u>53,203</u>	<u>117,486</u>	<u>0.16</u>
Based on Offer Price of HK\$0.55 per Offer Share	<u>64,283</u>	<u>66,853</u>	<u>131,136</u>	<u>0.18</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 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 140,000,000 new Shares at the Offer Price of lower limit and upper limit of HK\$0.45 and HK\$0.55 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses to be incurred by the Group since 1 August 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 repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in the Prospectus.

- (3) The unaudited pro forma adjusted combined net tangible assets per Offer Share attributable to owners of the Company per Share is arrived at on the basis that 742,910,000 Shares, representing the aggregation of 9,135 Shares held by Simple Joy as at 31 July 2017, capitalisation of shares of 602,900,865 Shares attributable to the Shares held by Simple Joy and 140,000,000 new Shares, were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 July 2017 and does not take into account of Shares held by Simply Marvel, or 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 "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this Prospectus.
- (4) Assuming the Reorganisation is completed on 31 July 2017 and the dividends of HK\$21,881,000 declared on 6 December 2017 had been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share would have been HK\$0.13 and HK\$0.15 at the Offer Price of HK\$0.45 and HK\$0.55, respectively, which is calculated based on (i) the combined net tangible assets of the Group attributable to owners of the Company of HK\$49,228,000 after taking into the consideration of the transfer of non-controlling interests of HK\$6,826,000 to other reserve attributable to the owners of the Company upon completion of reorganisation and the declaration of dividends of HK\$21,881,000; (ii) 800,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2017.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of 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 UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF LING YUI HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ling Yui 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 combined net tangible assets of the Group attributable to owners of the Company as at 31 July 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 13 December 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offer of the shares of the Company (the "Share Offer") on the Group's financial position as at 31 July 2017 as if the Share Offer had taken place at 31 July 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 March 2017 and the four months ended 31 July 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 ("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 comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 of the Group 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 purpose 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

13 December 2017

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 January 2017 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 4 December 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless

the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors***(i) Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

APPENDIX III **SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue

debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 24 January 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 14 February 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be

material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official

liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser as to the Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 January 2017. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 March 2017 and our principal place of business in Hong Kong is at Unit 1702-03, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong. CFN Lawyers in association with Broad & Bright of Room 4101-04, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One fully paid Share was allotted and issued to the subscriber on 24 January 2017, which was subsequently transferred to Simple Joy on the same date.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of Smart Sage from Simple Joy, and Southern Sun from Simple Joy and Simply Marvel, on 4 December 2017, 9,134 and 865 Shares, all credited as fully paid, were allotted and issued to Simple Joy and Simply Marvel, respectively.
- (c) On 4 December 2017, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 800,000,000 Shares will be issued fully paid or credited as fully paid, and 1,200,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our existing Shareholders passed on 4 December 2017” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of

the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.

- (f) Alteration in our Company's share capital since its incorporation is disclosed in the section headed "Share Capital" of this prospectus and in this paragraph headed "Changes in share capital of our Company".

3. Written resolutions of our existing Shareholders passed on 4 December 2017

On 4 December 2017, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of HK\$0.01 each, ranking pari passu with the existing Shares in all respects;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$6,599,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 659,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 4 December 2017 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the 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, and such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the

aggregate nominal value of the share capital of our Company in issue immediately following completion of the 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 (the “**Repurchase Mandate**”), and the Repurchase Mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) the Repurchase Mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to the Repurchase Mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraphs headed “History, Development and Reorganisation – Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

Save for the alterations described in paragraph headed “Corporate reorganisation” above, no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our existing Shareholder passed on 4 December 2017, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until 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 Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue after completion of the Share Offer, could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:



- (a) an agreement dated 30 March 2017 entered into between Lee Kim Ming as vendor, and Smart Sage Limited as purchaser, for the sale and purchase of 2 issued shares in the share capital of Ming Lee Engineering Company Limited (明利機械工程有限公司), in consideration of which Smart Sage Limited allotted and issued the aggregate of 9,999 nil-paid shares in the share capital of Smart Sage Limited, credited as fully paid, to Simple Joy Investments Limited;
- (b) an agreement dated 30 March 2017 entered into between Lee Kim Ming and Chan Siu Hung as vendors, and Southern Sun Investments Limited as purchaser in relation to the sale and purchase of 1,000 issued shares in the share capital of Ming Lee Foundation Company Limited (明利基礎工程有限公司) in consideration of which Southern Sun Investments Limited allotted and issued 8,991 and 999 nil-paid shares in the share capital of Southern Sun Investments Limited, credited as fully paid, to Simple Joy Investments Limited and Simply Marvel Limited, respectively;

- (c) a share swap deed dated 4 December 2017 entered into between (i) Simple Joy Investments Limited; (ii) Simply Marvel Limited; (iii) Ling Yui Holdings Limited; (iv) Smart Sage Limited; (v) Southern Sun Investments Limited; (vi) Mr. Lee Kim Ming and; (vii) Mr. Chan Siu Hung in relation to the transfer of the entire issued share capital of Smart Sage Limited and the transfer of the entire issued share capital of Southern Sun Investments Limited, to the Company, respectively;
- (d) the Deed of Non-competition dated 4 December 2017 given by Lee Kim Ming and Simple Joy Investments Limited in favour of Ling Yui Holdings Limited (凌銳控股有限公司) (for itself and as trustee for each of its subsidiaries), details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with our Controlling Shareholders” in this prospectus;
- (e) the Deed of Indemnity dated 4 December 2017 given by Lee Kim Ming and Simple Joy Investments Limited in favour of Ling Yui Holdings Limited (凌銳控股有限公司) (for itself and as trustee for each of its subsidiaries) containing indemnities referred to in the paragraph headed “E. Other information – 1. Tax and other indemnities” in this appendix; and
- (f) the Public Offer Underwriting Agreement dated 11 December 2017 relating to the Public Offer and entered into between Ling Yui Holdings Limited, our executive Directors, our Controlling Shareholders, the Vendor, the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters, details of which are summarised in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer” in this prospectus.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong, which in the opinion of our Directors is material to our business:

Trademark	Class	Application Number	Duration	Applicant
	37	304090969	27 March 2017 – 26 March 2027	Ling Yui Holdings Limited
	37	304090978	27 March 2017 – 26 March 2027	Ming Lee Foundation

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Registrant	Duration
www.mlf.com.hk	Ming Lee Foundation	27 August 2014 – 27 August 2018
www.lingyui.com.hk	Ming Lee Foundation	8 May 2017 – 9 May 2018

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Capitalisation Issue and the Share Offer but without taking into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Main Board, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies Contained in the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

Name of Director	Capacity/Nature	Number of Shares held/ Interested (Note 1)	Percentage of interest
Mr. Lee (Note 2)	Interested in a controlled corporation	542,910,000	67.86%
Mr. Chan (Note 3)	Interested in a controlled corporation	57,090,000	7.14%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Lee beneficially owns the entire issued share capital of Simple Joy. Therefore, Mr. Lee is deemed, or taken to be, interested in all the Shares held by Simple Joy for the purpose of the SFO. Mr. Lee is the sole director of Simple Joy.
- (3) Mr. Chan beneficially owns the entire issued share capital of Simply Marvel. Therefore, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Simply Marvel for the purpose of the SFO. Mr. Chan is the sole director of Simply Marvel.

(b) Interests of substantial and other Shareholders in our Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares held/ interested (Note 1)	Percentage of interest
Simple Joy	Beneficial Owner	542,910,000	67.86%
Ms. Yeung (Note 2)	Interest of spouse	542,910,000	67.86%
Simply Marvel	Beneficial Owner	57,090,000	7.14%
Ms. Fu (Note 3)	Interest of spouse	57,090,000	7.14%

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Yeung is the spouse of Mr. Lee. Under the SFO, Ms. Yeung is deemed to be interested in the same number of Shares in which Mr. Lee is interested.
- (3) Ms. Fu is the spouse of Mr. Chan. Under the SFO, Ms. Fu is deemed to be interested in the same number of Shares in which Mr. Chan is interested.

2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the Track Record Period were approximately HK\$598,000, HK\$1,366,000, HK\$1,673,000 and HK\$553,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2018 will be approximately HK\$1,536,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Mr. Lee Kim Ming	600,000
Mr. Chan Siu Hung	876,000
Independent non-executive Directors	
Mr. Chong Kam Fung	180,000
Mr. Chung Yan Yee Andrew	180,000
Mr. Ho Chun Chung Patrick	180,000
Mr. Shi Wai Lim William	180,000

- (d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

4. Fees or commission received

In connection with the Share Offer, the Sponsor has been appointed as the compliance adviser of the Company with effect from the Listing Date until the despatch of the Company's consolidated audited financial results for the first full financial year after the Listing Date and the Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares, out of which

they will pay any sub-underwriting commissions and selling commissions. For details, please refer to the section headed “Underwriting” in this prospectus. None of our Directors or other experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 31 to the Accountants’ Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents 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 “Consents 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) taking no account of Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will 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) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7

and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) so far as is known to our Directors, 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, the five largest suppliers or the five largest subcontractors of our Group.

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	4 December 2017, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 4 December 2017:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 80,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 80,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.

- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

- i. Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of our Shares in issue; and
 - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) *Restrictions on the times of grant of options*

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement.
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee 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, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options

shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (e) of the sub-section headed “Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; (c) any claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether criminal, administrative, contractual, tortious or otherwise, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; and (d) any losses, liabilities, damages, costs, claims and expenses of whatever nature suffered or incurred by any member of our Group in relation to any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited combined financial statements of our Company or any other member of our Group for the Track Record Period (if any). The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or

- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 July 2017 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

During the Track Record Period and as at the Latest Practicable Date, our Group has been involved in a number of claims, litigations and potential claims. For details, please refer to the section headed “Business – Legal proceedings and legal compliance” of this prospectus. As at the Latest Practicable Date, no member of our Group was engaged in any other 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 Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK\$3.8 million to the Sponsor to act as the sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$33,540 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Frontpage Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Legal advisers to our Company as to Cayman Islands law
Ipsos Limited	Market research consultant
Sam K. M. Ng CPA Limited	Internal control consultant

7. Consents of experts

Each of Frontpage Capital Limited, Deloitte Touche Tohmatsu, Appleby, Ipsos Limited and Sam K. M. Ng CPA Limited 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 summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) *Hong Kong*

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

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 July 2017 (being the date to which the latest audited combined financial statements of our Group were made up).

12. Particulars of the Vendor

The particulars of the Vendor are set out as follows:

Simple Joy

Name	:	Simple Joy Investments Limited
Description	:	A company incorporated in the BVI with limited liability on 3 January 2017
Registered Address	:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Shareholder	:	Wholly-owned by Mr. Lee
Number of Sale Shares to be sold	:	60,000,000

13. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
 - (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

Save as disclosed in the section headed “Underwriting” of this prospectus, none of the parties listed in the paragraph headed “Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

- (c) The branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (d) 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.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

- (f) Our Group has no outstanding convertible debt securities.
- (g) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (h) The English text of this prospectus shall prevail over the Chinese text.

14. 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.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG
KONG**

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the written consents referred in “Appendix IV – Statutory and General Information – Consents of experts” to this prospectus, and copies of the material contracts referred to in “Appendix IV – Statutory and General Information – Summary of material contracts” to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for the inspection at the office of CFN Lawyers in association with Broad & Bright at Room 4101-04, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report from Deloitte Touche Tohmatsu in respect of the historical financial information for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;
- (c) the assurance report on the unaudited pro forma financial information of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II of this prospectus;
- (d) the audited consolidated financial statements of Smart Sage and Southern Sun for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017;
- (e) the management accounts of the Company for the period from 24 January 2017 (date of incorporation) to 31 March 2017 and the four months ended 31 July 2017;
- (f) the Companies Law;
- (g) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (h) the material contracts referred to in “Appendix IV – Statutory and General Information – Summary of material contracts” to this prospectus;

- (i) the written consents referred to in “Appendix IV – Statutory and General Information – Consents of experts” to this prospectus;
- (j) the rules of the Share Option Scheme referred to in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus;
- (k) the service contracts referred to in “Appendix IV – Statutory and General Information – Particulars of service contracts” to this prospectus;
- (l) a statement of particulars of the Vendor;
- (m) the internal control report prepared by Sam K. M. Ng CPA Limited; and
- (n) the industry report issued by Ipsos Limited.



LING YUI HOLDINGS LIMITED
凌銳控股有限公司