

Space Group Holdings Limited

恆宇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2448

SHARE OFFER



Sole Sponsor



Sole Bookrunner



Joint Lead Managers



IMPORTANT

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



Space Group Holdings Limited

恆宇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 190,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 19,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 171,000,000 Shares (subject to the Over-allotment Option and reallocation)
Offer Price	: Not more than HK\$1.40 and expected to be not less than HK\$1.00 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 2448

Sole Sponsor



Sole Bookrunner



Joint Lead Managers



Co-Lead Managers



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

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

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

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (acting for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, 4 January 2018, or such later date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. The Offer Price will be not more than HK\$1.40 per Offer Share and is currently expected to be not less than HK\$1.00 per Offer Share, unless otherwise announced. The Sole Bookrunner (for itself and on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at spacegroup.com.mo. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Bookrunner (for itself 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" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of any U.S. persons.

EXPECTED TIMETABLE⁽¹⁾

- Latest time for completing electronic applications under
HK eIPO White Form through the designated
website at **www.hkeipo.hk**⁽²⁾ 11:30 a.m. on Wednesday, 3 January 2018
- Application lists open⁽³⁾ 11:45 a.m. on Wednesday, 3 January 2018
- Latest time for lodging **WHITE** and **YELLOW**
Application Forms 12:00 noon on Wednesday, 3 January 2018
- Latest time for giving **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Wednesday, 3 January 2018
- Latest time for completing payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Wednesday, 3 January 2018
- Application lists close⁽³⁾ 12:00 noon on Wednesday, 3 January 2018
- Expected Price Determination Date⁽⁵⁾ Thursday, 4 January 2018
- Announcement of the final Offer Price, level of indication of
interest in the Placing, level of applications of
the Public Offer and the basis of allocation of
the Public Offer Shares to be published on the website
of the Stock Exchange at **www.hkexnews.hk**;
and on the website of our Company
at **spacegroup.com.mo** Monday, 15 January 2018
- Results of allocations in the Public Offer
(with successful applicants' identification document
numbers or Hong Kong business registration numbers,
where appropriate) to be available through a variety
of channels, including the website of the Stock Exchange at
www.hkexnews.hk, the website of our Company
at **spacegroup.com.mo** and the designated website
at **www.tricor.com.hk/ipo/result**, as described in the section headed
"How to Apply for Public Offer Shares –
11. Publication of Results" in this prospectus from Monday, 15 January 2018
- Despatch of share certificates or deposit of share certificates into
CCASS in respect of wholly or partially successful applications
pursuant to the Public Offer on or before⁽⁶⁾⁽⁸⁾ Monday, 15 January 2018
- Despatch of e-Auto Refund payment instructions/refund cheques
in respect of wholly or partially successful applications
(where applicable) or wholly or partially unsuccessful applications
pursuant to the Public Offer on or before^{(7) to (12)} Monday, 15 January 2018
- Dealings in Shares on the Stock Exchange expected
to commence at 9:00 a.m. on Tuesday, 16 January 2018

EXPECTED TIMETABLE⁽¹⁾

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus.
2. 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.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 3 January 2018, the application lists will not open or close on that day. Further information is set out in the section headed “How to Apply for Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Wednesday, 3 January 2018, the dates mentioned in “Expected Timetable” may be affected. An announcement will be made by us in such event.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Public Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or about Thursday, 4 January 2018, or such later date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (acting for itself and on behalf of the Underwriters) and our Company by the Price Determination Date, the Share Offer will not proceed and will lapse.
6. Share certificates for the Public Offer Shares will become valid certificates of title at 8:00 a.m. on Tuesday, 16 January 2018 (Hong Kong time), provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Share Offer will not proceed and will lapse. In such a case, our Company will make an announcement as soon as possible thereafter.
7. e-Auto Refund payment instruction/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 cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
8. Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 Public Offer Shares or more under the Public Offer and have provided all information required by their Application Form may collect their refund cheque(s) (where applicable) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 15 January 2018. Applicants being individuals who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations’ chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited, must be produced at the time of collection.

EXPECTED TIMETABLE⁽¹⁾

9. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.
10. For applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Monday, 15 January 2018. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 15 January 2018 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed "How to Apply for Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus for details.
11. For applicants who have applied through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to their application payment bank account in the form of e-Auto Refund payment instructions on Monday, 15 January 2018. For applicants who have applied through **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on or before Monday, 15 January 2018 by ordinary post at their own risk. Please refer to the section headed "How to Apply for Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus for details.
12. Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in "How to Apply for Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

For details of the structure of the Share Offer, including conditions thereof, please refer to the sections headed "Underwriting", "Structure of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a Macau-based contractor providing (i) Fitting-out Works; and (ii) building construction works in Macau. We have been operating our fitting-out business in Macau since 2007 and began to provide building construction works in 2015. During the Track Record Period, all of our revenue was derived from projects in private sector in Macau.

We undertake fitting-out projects as a fitting-out contractor, primarily for projects in the private sector, including hotels and casinos, restaurants and retail shops, and other properties. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, approximately 86.4%, 74.6%, 35.7% and 28.4% of our revenue were derived from our hotels and casinos customers. Since our inception, we had served five out of six licensed casino gaming operators in Macau. During the Track Record Period, we completed 13 fitting-out projects in Macau, with aggregate recognised revenue of approximately MOP365.4 million. In 2015, we undertook our first building construction project as main contractor in Macau, which was a sizeable project with a contract sum of approximately MOP473.7 million. Such building construction project was still in progress and has not yet completed as at the Latest Practicable Date. Substantially all revenue generated from our building construction segment during the Track Record Period was contributed by such project. Other than such sizeable building construction project, during the Track Record Period, we had undertaken another building construction project of smaller scale with a contract sum of approximately MOP0.2 million in 2017, which had been completed in May 2017. We had two ongoing building construction projects as at the Latest Practicable Date. The following table sets forth a breakdown of our revenue during the Track Record Period by business segments:

	2014		Year ended 31 December				Six months ended	
	MOP'000	%	2015		2016		30 June 2017	
			MOP'000	%	MOP'000	%	MOP'000	%
Fitting-out Works	129,809	100.0	329,564	82.3	184,755	39.9	120,978	50.3
<i>Hotels and casinos</i>	112,237	86.4	298,854	74.6	165,215	35.7	68,296	28.4
<i>Restaurants and retail shops</i>	17,510	13.5	29,935	7.5	19,540	4.2	2,087	0.9
<i>Other properties</i>	62	0.1	775	0.2	0.0	0.0	50,595	21.0
Building construction works ^(Notes 1 and 2)	–	–	71,034	17.7	278,554	60.1	119,755	49.7
Total	<u>129,809</u>	<u>100.0</u>	<u>400,598</u>	<u>100.0</u>	<u>463,309</u>	<u>100.0</u>	<u>240,733</u>	<u>100.0</u>

SUMMARY

Notes:

1. Our revenue from the building construction works for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 included revenue derived from the provision of certain Fitting-out Works in the amount of approximately MOP6.3 million, MOP142.9 million and MOP65.8 million, respectively.
2. We only commenced our provision of building construction services in 2015.

During the Track Record Period, we undertook a number of sizeable projects in Macau. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the revenue recognised under our top five projects in terms of revenue recognised accounted for approximately 99.6%, 84.3%, 95.8% and 93.0% of our revenue, respectively.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, we had an aggregate value of backlog for fitting-out projects and building construction projects of approximately MOP219.8 million, MOP477.1 million, MOP198.9 million, and MOP219.9 million, respectively. The following table sets forth the number and the range of awarded contract sum of our projects on hand during the Track Record Period:

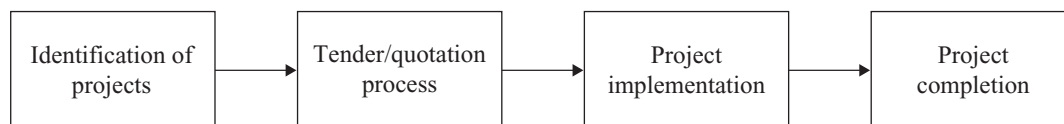
	As at 1 January 2014	As at 31 December		As at 30 June 2017	
	<i>Number of projects on hand</i>	<i>Number of projects on hand</i>	<i>Number of projects on hand</i>	<i>Number of projects on hand</i>	<i>Number of projects on hand</i>
Awarded contract sum(Note)					
MOP100,000,000 or above	0	1	2	2	3
MOP10,000,000 to below 100,000,000	1	7	4	3	5
MOP5,000,000 to below MOP10,000,000	0	2	1	0	0
MOP1,000,000 to below MOP5,000,000	0	1	0	0	4
Below MOP1,000,000	0	0	0	0	0
	<u>1</u>	<u>11</u>	<u>7</u>	<u>5</u>	<u>12</u>

Note: The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial contract entered into or quotation agreed upon between the Group and its customers.

SUMMARY

OUR BUSINESS MODEL

We have developed a comprehensive project management system in respect of our business operations. For illustrative purposes, the following chart sets forth our operating flow which generally applies to both our fitting-out projects and building construction projects that we have undertaken.



During the Track Record Period, our projects were awarded either by way of tenders or quotation invitations. We adopt a cost estimate plus mark-up pricing model for pricing a project. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our success rate in respect of acceptance of our tenders and quotations for fitting-out projects was approximately 24.4%, 28.6%, 28.6% and 62.5%, respectively, and that for building construction projects was approximately 14.3%, 25.0%, 33.3% and nil, respectively.

OUR CUSTOMERS

During the Track Record Period, our revenue was derived from our fitting-out projects and our building construction projects in private sector in Macau. For our fitting-out projects, our major customers included hotel and casino gaming operators and main contractors in Macau. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, sales to our largest customer accounted for approximately 78.4%, 60.8%, 60.1% and 49.7% of our total revenue, respectively.

For further details of our customers, please refer to the section headed “Business – Our Customers” on page 106 in this prospectus.

OUR SUPPLIERS

Our major suppliers include (i) suppliers of materials to be used in our fitting-out projects, such as painting materials, timber products, marble, metal hardware and sanitary ware etc.; and (ii) service providers for our leased machines and equipment. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, purchases attributable to our five largest suppliers accounted for approximately 63.0%, 49.4%, 53.1% and 90.5% of our total purchase, respectively. For the same period, purchases attributable to our largest supplier accounted for approximately 36.5%, 13.0%, 29.6% and 85.9% of our total purchase, respectively.

For further details of our suppliers, please refer to the section headed “Business – Our Suppliers” on page 113 in this prospectus.

SUMMARY

OUR SUBCONTRACTORS

We are responsible for overall project implementation in respect of our fitting-out projects and our building construction projects. Depending on the nature of the works, we employ our own workers to handle more complicated parts of the project and generally engage subcontractors to perform certain labour intensive works. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we subcontracted a significant part of the works in our fitting-out projects and our building construction projects to our subcontractors in Macau. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our subcontracting fees amounted to approximately MOP40.5 million, MOP163.6 million, MOP255.2 million and MOP146.4 million, respectively, representing approximately 40.0%, 51.2%, 71.4% and 80.9% of our total cost of sales for the corresponding period, respectively. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, subcontracting fees paid/payable to our five largest subcontractors accounted for approximately 77.5%, 70.3%, 74.6% and 74.6% of our total subcontracting fees, respectively. For the same period, subcontracting fees paid/payable to our largest subcontractor accounted for approximately 40.1%, 31.5%, 51.0% and 25.0% of our total subcontracting fees, respectively.

For further details of our subcontractors, please refer to the section headed “Business – Our Subcontractors” on page 117 in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our historical success and potential for future growth:

- Established position and proven track record in fitting-out projects;
- Established relationships with some of our major customers;
- One of the leading domestic fitting-out contractors based in Macau;
- Experienced and efficient management team; and
- Commitment to safety, quality and environment through well-established management systems.

For details, please refer to the section headed “Business – Competitive Strengths” on page 85 in this prospectus.

SUMMARY

BUSINESS STRATEGIES

We aim to further strengthen our market position in the fitting-out industry and building construction industry in Macau by pursuing the following strategies:

- Further strengthen our market position in the building construction industry in Macau; and
- Solidify our market position in the fitting-out industry in Macau.

For details, please refer to the section headed “Business – Business Strategies” on page 87 in this prospectus.

COMPETITIVE LANDSCAPE

According to Frost & Sullivan Report, there were about 200 fitting-out contractors in Macau in 2016. We ranked as the second largest fitting-out contractor in Macau in 2016 in terms of estimated revenue derived from Fitting-out Works, with approximately 1.9% of market share. Nonetheless, according to Frost & Sullivan Report, the fitting-out industry in Macau is highly fragmented with the largest fitting-out contractor having a significantly larger market share of approximately 10.8% in terms of revenue in 2016 compared to our Group. For details of the fitting-out industry in Macau, please refer to the sections headed “Industry Overview – The Fitting-out Industry in Macau – Competitive landscape of the fitting-out industry in Macau” and “Business – Competition” in this prospectus.

According to Frost & Sullivan Report, there were about 800 registered contractors in Macau providing building construction services as of March 2017. We have gained approximately 0.16% of market share in the building construction segment in terms of revenue in 2016.

Our Directors believe that we compete with our competitors principally on reputation, development strategies and financial capability. For details of our industry environment, please refer to the section headed “Industry Overview” in this prospectus.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, we were involved in certain non-compliance incidents. These included non-compliance with the Hygiene and Safety Regulation, Complementary Tax Regulation and Professional Tax Regulation. For details, please refer to the section headed “Business – Non-compliance Incidents” in this prospectus. Our Directors confirm that save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with all applicable laws and regulations in the jurisdictions where we conduct our business.

SUMMARY

LITIGATIONS AND CLAIMS

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business operations. The litigations and claims as well as pending and threatened litigations and claims against us during the Track Record Period and up to the Latest Practicable Date were generally related to claims such as work accidents and labour disputes arising out of the ordinary course of our business.

For further details of the litigations and claims, please refer to the section headed “Business – Litigations and Claims” on page 135 in this prospectus.

FINANCIAL INFORMATION

The table below sets forth a summary of our audited combined financial information during the Track Record Period. You should read the following financial information together with the financial information included in the Accountants’ Report set out in Appendix I to this prospectus, including the notes thereto.

Selected items in our combined statements of profit or loss and other comprehensive income

	Year ended 31 December			Six months ended	
	2014	2015	2016	30 June	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				<i>(unaudited)</i>	
Revenue	129,809	400,598	463,309	234,755	240,733
Gross profit	28,527	81,154	105,871	52,499	59,788
Profit before taxation	19,468	65,385	82,432	42,088	43,115
Profit for the year/period	17,069	57,574	70,691	36,783	36,918
Profit attributable to:					
– Equity shareholders of the Company	12,541	45,763	63,809	32,812	35,630
– Non-controlling interests	4,528	11,811	6,882	3,971	1,288

Please refer to the section headed “Financial Information – Principal components of results of operations” on page 186 for further details.

Our profit for the year/period amounted to approximately MOP17.1 million, MOP57.6 million, MOP70.7 million and MOP36.9 million for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. Our profit for the year ended 31 December 2015 increased by approximately 237.3% as compared with the year ended 31 December 2014, which was mainly attributable to the significant increase in revenue of approximately MOP199.8 million for the year ended 31 December 2015 derived from the increasing number of on-going and completed fitting-out projects coupled with the increase in revenue of approximately MOP71.0 million for the year ended 31 December

SUMMARY

2015 derived from the first building construction project undertaken in 2015. Our profit for the year ended 31 December 2016 increased by approximately 22.8% as compared with the year ended 31 December 2015 which was mainly due to the significant increase in the revenue of approximately MOP207.6 million derived from the first building construction project as the greater portion of this project was completed during the year, and partially offset by the decrease in revenue derived from fitting-out projects due to the allocation of our resources to the building construction project after completion of several fitting-out projects and a substantial portion of a sizeable hotel and casino resort in 2015; and the increase in Listing expenses. Our profit for the six months ended 30 June 2016 and 2017 remained relatively stable at approximately MOP36.8 million and MOP36.9 million, respectively.

Our net profit margin was approximately 13.1%, 14.4%, 15.3% and 15.3% for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. Our net profit margin increased by approximately 1.3% from the year ended 31 December 2014 to the year ended 31 December 2015, which was mainly attributable to the decrease in the percentage of general and administrative expense to the revenue from approximately 5.8% for the year ended 31 December 2014 to approximately 2.7% for the year ended 31 December 2015, and partially offset by the decrease in the gross profit margin from approximately 22.0% for the year ended 31 December 2014 to approximately 20.3% for the year ended 31 December 2015 resulting from the undertaking of several fitting-out projects for the sizeable hotel and casino resort with lower gross profit margin during the year ended 31 December 2015. Our net profit margin further increased by approximately 0.9% from the year ended 31 December 2015 to the year ended 31 December 2016, which was mainly due to the increase in gross profit margin from approximately 20.3% for the year ended 31 December 2015 to approximately 22.9% for the year ended 31 December 2016 resulting from the revenue contribution from our first building construction project with higher margin and partially offset by the Listing expenses of approximately MOP4.2 million incurred for the year. Our net profit margin remained relatively stable at approximately 15.7% and 15.3% for the six months ended 30 June 2016 and 2017, respectively.

Selected items in our combined statements of financial position

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Current assets	259,018	362,512	356,821	357,943
Current liabilities	244,824	292,169	262,175	304,765
Net current assets	14,194	70,343	94,646	53,178
Net assets	22,311	64,523	83,382	56,468

The increase in our current assets by approximately MOP103.5 million from approximately MOP259.0 million as at 31 December 2014 to approximately MOP362.5 million as at 31 December 2015 was mainly attributable to an increase in gross amounts due from customers for contract work of approximately MOP13.3 million, an increase in trade and other receivables of approximately MOP19.3 million, an increase in amounts due from

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directors of approximately MOP63.2 million, and an increase in pledged deposits of approximately MOP14.1 million, partially offset by a decrease in cash and cash equivalent of approximately MOP6.5 million. The decrease in our current assets by approximately MOP5.7 million from approximately MOP362.5 million as at 31 December 2015 to approximately MOP356.8 million as at 31 December 2016 was mainly attributable to a decrease in gross amounts due from customers for contract work of approximately MOP7.3 million, a decrease in trade and other receivables of approximately MOP47.8 million and a decrease in pledged deposits of approximately MOP9.5 million, partially offset by an increase in amounts due from directors of approximately MOP39.9 million and an increase in cash and cash equivalent of approximately MOP17.9 million. Our current assets remained relatively stable at approximately MOP356.8 million and MOP357.9 million as at 31 December 2016 and 30 June 2017, respectively.

The increase in our current liabilities by approximately MOP47.3 million from approximately MOP244.8 million as at 31 December 2014 to approximately MOP292.2 million as at 31 December 2015 was mainly attributable to an increase in bank loans and overdrafts and other borrowings of approximately MOP48.5 million and an increase in tax payable of approximately MOP7.8 million, partially offset by a decrease in trade and other payables of approximately MOP3.5 million and a decrease in amounts due to directors of approximately MOP5.1 million. The decrease in our current liabilities by approximately MOP30.0 million from approximately MOP292.2 million as at 31 December 2015 to approximately MOP262.2 million as at 31 December 2016 was mainly attributable to a decrease in trade and other payables of approximately MOP38.9 million and a decrease in bank loans and overdrafts and other borrowings of approximately MOP1.8 million, partially offset by an increase in tax payable of approximately MOP10.1 million. Our current liabilities increased by approximately MOP42.6 million from approximately MOP262.2 million as at 31 December 2016 to approximately MOP304.8 million as at 30 June 2017, mainly attributable to an increase in trade and other payables of approximately MOP42.5 million, an increase in gross amounts due to customers for contract work of approximately MOP1.9 million and an increase in amounts due to directors of approximately MOP3.0 million, partially offset by a decrease in bank loans and overdrafts and other borrowings of approximately MOP4.3 million.

As a result of the foregoing, our net current assets increased from approximately MOP14.2 million as at 31 December 2014 to approximately MOP70.3 million as at 31 December 2015, and further to approximately MOP94.6 million as at 31 December 2016, and subsequently decreased to approximately MOP53.2 million as at 30 June 2017.

The significant increase in our net assets from approximately MOP22.3 million as at 31 December 2014 to approximately MOP64.5 million as at 31 December 2015 was mainly due to the increase in our amounts due from directors, trade and other receivables, pledged deposits and gross amounts due from customers for contract work, partially offset by the increase in our bank loans and overdrafts and other borrowings. Our net assets further increased to approximately MOP83.4 million as at 31 December 2016 mainly due to the increase in our amounts due from directors, cash and cash equivalents, partially offset by the decrease in trade and other receivables and the increase in bank loans and overdrafts and other borrowings. The decrease in our net assets from approximately MOP83.4 million as at 31 December 2016 to approximately MOP56.5 million as at 30 June 2017 was mainly due to

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the decrease in our amounts due from directors and cash and cash equivalents, increase in gross amounts due to customers for contract work and trade and other payables, partially offset by increase in gross amounts due from customers for contract work and trade and other receivables and decrease in bank loans and overdrafts and other borrowings.

For the analysis of our net current assets during the Track Record Period, please refer to the section headed “Financial Information – Net Current Assets” in this prospectus.

Selected items in the combined cash flow statements

	Year ended 31 December			Six months ended 30	
	2014	2015	2016	June	
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				<i>(unaudited)</i>	
Net cash generated from operating activities	52,953	34,514	106,454	23,726	23,891
Net cash (used in)/generated investing activities	(174)	(643)	(1,064)	48	100
Net cash used in financing activities	(46,077)	(58,763)	(90,630)	(22,665)	(34,157)
Cash and cash equivalents at the end of the year/period	1,137	(23,755)	(8,995)	(22,646)	(19,161)
<i>Represented by:</i>					
Cash at banks and in hand and cash and cash equivalents in the combined statements of financial position	8,504	1,971	19,835	5,426	8,229
Bank overdrafts	<u>(7,367)</u>	<u>(25,726)</u>	<u>(28,830)</u>	<u>(28,072)</u>	<u>(27,390)</u>
	<u>1,137</u>	<u>(23,755)</u>	<u>(8,995)</u>	<u>(22,646)</u>	<u>(19,161)</u>

The change in our cash and cash equivalents for a period is primarily affected by our net cash generated from operating activities and net cash used in financing activities.

Our cash and cash equivalents decreased from approximately MOP1.1 million as at 31 December 2014 to negative cash and cash equivalents of approximately MOP23.8 million as at 31 December 2015, mainly attributable to our net cash used in financing activities of approximately MOP58.8 million, primarily as a result of increase in pledged deposits of approximately MOP14.1 million, increase in net amounts due from/to directors of approximately MOP83.7 million, and interest payment of approximately MOP5.3 million, partially offset by net proceeds from new bank loans and other borrowings after repayment of approximately MOP44.4 million. Such decrease was partially offset by our net cash generated from operating activities of approximately MOP34.5 million.

Our cash and cash equivalents increased to negative cash and cash equivalents of approximately MOP9.0 million as at 31 December 2016, mainly attributable to our net cash generated from operating activities of approximately MOP106.5 million, partially offset by

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our net cash used in financing activities of approximately MOP90.6 million, which in turn was primarily a result of payment of listing expenses of approximately MOP1.4 million, increase in net amounts due from/to directors of approximately MOP90.7 million, and interest payment of approximately MOP7.5 million, partially offset by decrease in pledged deposits of approximately MOP9.5 million.

Our cash and cash equivalents decreased to negative cash and cash equivalents of approximately MOP19.2 million as at 30 June 2017, mainly attributable to net cash used in financing activities of approximately MOP34.2 million, primarily as a result of net repayments of bank loans and other borrowings of approximately MOP22.5 million, payment of listing expenses of approximately MOP2.5 million, increase in net amounts due from/to directors of approximately MOP10.9 million, and interest payment of approximately MOP3.0 million, partially offset by decrease in pledged deposits of approximately MOP4.8 million. Such decrease was partially offset by our net cash generated from operating activities of approximately MOP23.9 million.

As at 31 December 2015 and 2016 and 30 June 2017, we recorded the negative cash and cash equivalents in the combined cash flow statements of approximately MOP23.8 million, MOP9.0 million and MOP19.2 million, respectively. The negative cash and cash equivalents were attributable to the bank overdrafts of approximately MOP25.8 million, MOP28.8 million and MOP27.4 million as at 31 December 2015 and 2016 and 30 June 2017 respectively for settlement of the subcontracting fees, procurement of materials and payment to direct labour. We obtained combined banking facilities from our principal banks, which may be utilised as bank overdraft, import loan, export loan, revolving loan and issuance of performance bonds. Depending on our financing needs, method and the drawdown requirements of different types of banking facilities, we may, at its discretion, utilise different types of facilities obtained. The utilisation of the bank overdrafts facility by our Group was mainly due to the flexibility of utilising bank overdrafts with no specific drawdown procedure or requirement.

Please refer to the section headed “Financial Information – Liquidity and capital resources” on page 204 for further details.

Key financial ratios

	Year ended 31 December			Six months ended
	2014	2015	2016	30 June 2017
Return on total assets	6.4%	15.5%	19.4%	N/A ⁽²⁾
Return on equity	76.5%	89.2%	84.8%	N/A ⁽²⁾
Interest coverage	10.7 times	13.3 times	11.9 times	15.3 times

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	As at 31 December			As at 30 June
	2014	2015	2016	2017
Current ratio	1.1	1.2	1.4	1.2
Gearing ratio ⁽¹⁾	4.4	2.4	1.9	2.4
Net debt to equity ratio	2.5	1.7	1.2	1.7

Notes:

1. Gearing ratio is calculated by dividing total debts which include payables incurred not in the ordinary course of business with total equity as at the end of the respective year/period.
2. Return on total assets/equity is not applicable since the recorded net profit only represents the amount for the six months ended 30 June 2017.

For the analysis of our key financial ratios during the Track Record Period, please refer to the section headed “Financial information – Key Financial Ratios” in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), Space Investment will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company. Space Investment is owned as to 94.74% and 5.26% by Mr. Che and Ms. Lei, respectively. Ms. Lei is the mother of Mr. Che.

In light of Mr. Che and Ms. Lei having signed a confirmation confirming they are acting in concert with each other under the definition in the Takeovers Code, accordingly, (i) Mr. Che and Ms. Lei collectively as a group and (ii) Space Investment are regarded as the Controlling Shareholders.

Please refer to the section headed “Relationship with Controlling Shareholders” on page 148 in this prospectus for further details.

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FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to be received by us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$1.20 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$188.8 million (equivalent to approximately MOP194.5 million), assuming that the Over-allotment Option is not exercised.

We currently intend to apply such net proceeds in the following manner:

- approximately HK\$46.1 million (equivalent to approximately MOP47.4 million) or approximately 24.4% of the net proceeds to finance our fitting-out projects in Macau, which include payment of start-up costs for new projects such as provision of performance bonds and prepayment of material costs and subcontracting fees;
- approximately HK\$127.6 million (equivalent to approximately MOP131.5 million) or approximately 67.6% of the net proceeds to finance our building construction projects in Macau, which will be used for (i) purchase of construction machineries and equipment, (ii) payment of labour costs, and (iii) payment of start-up costs for new projects such as provision of performance bonds and prepayment of material costs and subcontracting fees; and
- approximately HK\$15.1 million (equivalent to approximately MOP15.6 million) or approximately 8% of the net proceeds to be the general working capital of our Group.

To the extent that the net proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. Please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds” on page 237 in this prospectus for further details.

REASONS FOR LISTING IN HONG KONG

We believe that the Listing represents an important step to implement our business strategies. Our Company is applying for listing in Hong Kong because it has a high level of internationalisation, maturity in the global financial market, with sufficient institutional capital and funds following the companies listed in Hong Kong. Therefore, our Company believes that there will be a higher liquidity and valuation, and greater exposure to a broader analyst and investment community, which would facilitate our future fund raising should such need arise. Our Directors believe that the Listing would help to raise our Group’s brand awareness and publicity on an international level, making our Company’s services being known to new potential local and international customers. Please refer to the section headed “Future Plans and Use of Proceeds – Reasons for listing in Hong Kong” on page 244 in this prospectus for further details.

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OFFER STATISTICS

	Based on an Offer Price of HK\$1.00 per Share	Based on an Offer Price of HK\$1.40 per Share
Market Capitalisation of our Shares ⁽¹⁾	HK\$760 million	HK\$1,064 million
Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share ^{(2) (3)}	MOP0.29 (equivalent to approximately HK\$0.28)	MOP0.39 (equivalent to approximately HK\$0.38)

Notes:

1. The calculation of the market capitalisation of our Shares is based on 760,000,000 Shares expected to be in issue immediately after completion of the Capitalisation Issue and the Share Offer, but does not take into account any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme.
2. For calculation of the unaudited pro forma adjusted net tangible assets per Share, please refer to “Appendix II – Unaudited Pro Forma Financial Information” in this prospectus.
3. No adjustment has been made to unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017, including the disposal of the investment property at MOP41.2 million on 7 July 2017 and dividends of MOP75.0 million declared on 8 December 2017. The unaudited pro forma adjusted combined net tangible assets per Share would have been decreased to HK\$0.23 per Share and HK\$0.32 per Share based on the low-end and high-end of the stated Offer Price of HK\$1.0 per Share and HK\$1.4 per Share, respectively, if the disposal of investment property and declaration of dividends had been accounted for.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$39.2 million (equivalent to approximately MOP40.4 million) (assuming an Offer Price of HK\$1.20 per Share (being the mid-point of the Offer Price range) and no exercise of the Over-allotment Option). Of such amount, approximately HK\$16.3 million (equivalent to approximately MOP16.8 million) is directly attributable to the Share Offer and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$22.9 million (equivalent to approximately MOP23.6 million), which cannot be so deducted, has been or will be charged to profit or loss. In this regard, approximately HK\$11.9 million (equivalent to approximately MOP12.2 million) has been charged to profit or loss for the Track Record Period, and approximately HK\$1.7 million (equivalent to approximately MOP1.8 million) and approximately HK\$9.3 million (equivalent to approximately MOP9.6 million) are expected to be charged to profit or loss for the six months ending 31 December 2017 and the year ending 31 December 2018, respectively. Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform the Shareholders and potential investors that our financial performance and results of operations for the years ending 31 December 2017 and 2018 will be affected by the estimated expenses in relation to the Listing.

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DIVIDENDS

During the Track Record Period, our subsidiaries declared dividends to the then shareholders in aggregate amount of nil, approximately MOP15.4 million, MOP51.8 million and MOP63.8 million, for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively, which had been settled by setting off against amounts due from directors. Subsequent to the Track Record Period, our subsidiary declared dividends to the then shareholders in aggregate amount of approximately MOP75.0 million, which had been settled by setting off against amounts due from directors. We currently do not have a dividend policy and may declare dividends by way of cash or other means that our Directors consider appropriate. A decision to declare any dividend in the future would require the approval of the Board and depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividends will also be subject to the Memorandum and Articles of Association and the Companies Law. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. Currently, we do not have any predetermined dividend payout ratio.

PRINCIPAL RISK FACTORS

We believe that there are certain risks involved in our operation which are beyond our control. The following highlights some of the risks which our Directors consider to be material:

- Our business is project-based, and our profit margin may fluctuate;
- A significant portion of our revenue during the Track Record Period was attributable to our top five projects and any decrease in the number of such sizeable projects in terms of revenue recognised would affect our operations and financial results;
- Our customers pay us by way of progress payment and require retention money from us, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is released to us on time and in full, after the expiry of the defect liability period;
- We depend on our subcontractors to complete a substantial part of the works of our projects and bear the risks associated with fluctuations in subcontracting fees, substandard performance and stability of their operations; and
- We determine the tender or quotation price based on our estimation of the costs and time involved and our failure to make accurate estimate may lead to cost overruns or even losses in our projects.

Please refer to the section headed “Risk Factors” on page 29 in this prospectus for further details.

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RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have submitted 21 tenders or quotations, included 16 fitting-out projects with an aggregate expected contract sum of approximately MOP261.1 million, and five building construction projects with an aggregate expected contract sum of approximately MOP445.7 million, among which three fitting-out project with an aggregate contract sum of approximately MOP7.2 million and one building construction project with a contract sum of approximately MOP86.3 million were awarded to us during the same period. The results of the remaining 17 projects, comprising 13 fitting-out projects with an aggregate expected contract sum of approximately MOP253.9 million and four building construction projects with an aggregate expected contract sum of approximately MOP359.4 million, were not available as at the Latest Practicable Date.

As at the Latest Practicable Date, including the tenders and quotations submitted during the Track Record Period, we had 20 projects of which we had yet to receive results after submitting tenders or quotations with an aggregate expected contract sum of approximately MOP890.6 million.

As at the Latest Practicable Date, we had 12 ongoing projects, comprising ten fitting-out projects and two building construction projects, with an aggregate contract sum of approximately MOP891.3 million. A total amount of approximately MOP225.4 million from the ongoing projects is expected to be recognised as our revenue subsequent to the Track Record Period. In addition, as at the Latest Practicable Date, we had one building construction project which is yet to commence, with a contract sum of approximately MOP86.3 million.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have completed five fitting-out projects with an aggregate contract sum of approximately MOP48.6 million, among which a total amount of approximately MOP8.8 million is expected to be recognised as our revenue subsequent to the Track Record Period.

On 25 April 2017, Space Construction entered into provisional sale and purchase agreements with Mr. Che, our executive Director and a Controlling Shareholder, pursuant to which Space Construction has agreed to acquire, and Mr. Che has agreed to sell, a property in Macau for a total consideration of HK\$81,500,000 (equivalent to approximately MOP83,945,000). Our Directors planned to redevelop the property as our Group's office. The acquisition had been completed on 15 November 2017. The acquisition was financed by a bank loan covering 70% of the total consideration of the acquisition, which amounted to HK\$57,050,000 (equivalent to approximately MOP58,761,500), and the remaining amount of the consideration was offset by the amount due from Mr. Che. In addition, on 27 April 2017, Space Construction entered into a provisional sale and purchase agreement with Mr. Che, pursuant to which Mr. Che has agreed to acquire, and Space Construction has agreed to sell, our investment property, which is a retail shop, for a total consideration of HK\$40,000,000 (equivalent to approximately MOP41,200,000). The disposal had been completed on 7 July 2017. We recorded a gain of approximately MOP31.5 million from such disposal. For further

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details, please refer to the sections headed “Business – Properties”, “Relationship with Controlling Shareholders – Discontinued Connected Transactions” and “Appendix III – Property Valuation” in this prospectus.

MATERIAL ADVERSE CHANGE

Save as the Listing expenses as stated in the paragraph headed “Listing expenses” in this section and the estimated gain on the disposal of our investment property as stated in the paragraph headed “Recent developments subsequent to the Track Record Period” in this section, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2017 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 30 June 2017 which would materially affect the information shown in the accountants’ report set out in Appendix I to this prospectus.

DEFINITIONS

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

“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 which is used in relation to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted with effect from the Listing Date on 16 January 2018 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the allotment and issue of 569,999,800 Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to under the paragraph headed “Statutory and General Information – Information about our Company – 3. Resolutions in writing of the Shareholders passed on 20 December 2017” in Appendix V to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participants”	collectively, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “China” or “PRC” do not include Hong Kong, the Macau Special Administrative Region and Taiwan
“CLC International” or “Sole Sponsor”	CLC International Limited, a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity as defined under the SFO, acting as the sole sponsor to the Listing
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-Lead Managers”	CNI Securities Group Limited, Marketsense Securities Limited and Ping An Securities Limited
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company” or “our Company”	Space Group Holdings Limited (恆宇集團控股有限公司), an exempted company incorporated in the Cayman Islands on 24 April 2017 with limited liability
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and, in the context of our Company, means Mr. Che, Ms. Lei and Space Investment

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“Deed of Indemnity”	the deed of indemnity dated 22 December 2017 executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries stated therein)
“Deed of Non-competition”	the deed of non-competition dated 22 December 2017 entered into by the Controlling Shareholders in favour of our Company
“Director(s)”	the director(s) of our Company
“DSSOPT”	Land, Public Works and Transport Bureau of Macau (in Portuguese, the Direcção dos Serviços de Solos, Obras Públicas e Transportes da Região Administrativa Especial de Macau and in Chinese, 澳門特別行政區土地工務運輸局)
“Frost & Sullivan”	Frost & Sullivan International Limited, an Independent Third Party and an independent market research expert
“Frost & Sullivan Report”	the industry research report prepared by Frost & Sullivan and commissioned by our Company, the content of which is quoted in this prospectus
“GDP”	gross domestic product
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by them or their predecessors (as the case may be)
“ HK eIPO White Form ”	the application of Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk

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“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards
“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
“HK\$” or “HK dollars” or “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	individual(s) or company(ies) who is(are) not a connected person(s) of our Company within the meaning ascribed under the Listing Rules
“Joint Lead Managers”	CLC Securities Limited and Innovax Securities Limited
“Latest Practicable Date”	20 December 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or around 16 January 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	The Macau Special Administrative Region of the PRC
“Macau Government”	The government of Macau

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“Macau Legal Advisers”	Leong Hon Man Law Office, the legal adviser to our Company as to Macau laws
“Macau Tax Advisers”	Keng Ou CPAs, the Macau Tax Advisers
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 20 December 2017, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“Minsang Oriental”	Minsang Oriental Limited (敏生東方有限公司), a company incorporated in Macau on 12 July 2013 with limited liability, and an indirect wholly-owned subsidiary of our Company
“MOP” or “Pataca”	Macau Pataca, the lawful currency of Macau
“Mr. Che”	Mr. Che Chan U (謝鎮宇), our executive Director, one of the Controlling Shareholders, the son of Ms. Lei and the spouse of Ms. Ng
“Mr. Wan”	Mr. Wan Yee Sang (溫宜生), our executive Director
“Ms. Lei”	Ms. Lei Soi Kun (李瑞娟), our executive Director, one of the Controlling Shareholders and the mother of Mr. Che
“Ms. Ng”	Ms. Ng Lai Kuan (吳麗君), spouse of Mr. Che
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) under the Share Offer which is expected to be determined as further described in the section headed “Structure of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option

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“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to 28,500,000 additional new Shares, representing 15% of the Shares initially available under the Share Offer at the Offer Price, to, among other things, cover over-allocations of the Placing (if any) as further described in the section headed “Structure of the Share Offer” in this prospectus
“Placing”	the conditional offering of the Placing Shares at Offer Price to selected professional, institutional and other investors as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 171,000,000 Shares expected to be initially offered for subscription pursuant to the Placing, representing 90% of the initial number of the Offer Shares, subject to re-allocation and the Over-allotment Option as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company and the Placing Underwriters on or about the Price Determination Date
“Price Determination Agreement”	the agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or about Thursday, 4 January 2018, or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree, on which the Offer Price is fixed for the purpose of the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms

DEFINITIONS

“Public Offer Shares”	the 19,000,000 Shares initially being offered for subscription at the Offer Price pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 27 December 2017 in relation to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Corporate Structure” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 20 December 2017, a summary of the principal terms of which is set out in the paragraph headed “Other Information – 1. Share Option Scheme” in Appendix V to this prospectus
“Sole Bookrunner”	Innovax Securities Limited

DEFINITIONS

“Space Construction”	Space Construction & Engineering Co., Ltd. (恆宇建築工程有限公司), a company incorporated in Macau on 21 November 2007 with limited liability, and an indirect wholly-owned subsidiary of our Company
“Space Construction BVI”	Space Construction (BVI) Ltd, a company incorporated under the laws of BVI with limited liability on 21 April 2017, a direct wholly-owned subsidiary of our Company after the Reorganisation
“Space Group”	Companhia Space Grupo Limitada (恆宇集團有限公司), a company incorporated in Macau on 3 May 2013 with limited liability, and an indirect wholly-owned subsidiary of our Company
“Space Investment”	Space Investment (BVI) Ltd, a company incorporated under the laws of BVI with limited liability on 21 April 2017, which is owned by Mr. Che and Ms. Lei as to 94.74% and 5.26%, respectively, and is one of our Controlling Shareholders
“Space Oriental”	Space Oriental Construction & Engineering Co., Ltd. (恆宇東方建築工程有限公司), a company incorporated in Macau on 11 September 2013 with limited liability, and an indirect wholly-owned subsidiary of our Company
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Sole Bookrunner and Space Investment pursuant to which Space Investment will agree to lend up to 28,500,000 Shares to the Sole Bookrunner on the terms set forth therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“SW Construction”	SW Construction Holdings Limited, a company incorporated under the laws of BVI with limited liability on 21 April 2017, which is wholly owned by Mr. Wan
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time

DEFINITIONS

“Track Record Period”	the three years ended 31 December 2016 and the six months ended 30 June 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“Yiu Cheong”	Space & Yiu Cheong Construction Engineering Co., Ltd. (宇祥建築工程有限公司), a company incorporated in Macau on 16 July 2013 with limited liability, and subsequently deregistered on 28 December 2016
“%”	per cent

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

For ease of reference, the English translation of a Chinese name or a Portuguese name, or vice versa, has been provided for identification purpose only.

The English names of the Macau entities mentioned in this prospectus which are marked with “” are translated, or transliterated from their Chinese names and are for identification purposes only.*

Certain figures used in this prospectus that are expressed in MOP are calculated based on the conversion rate of HK\$1.00 to MOP1.03.

GLOSSARY OF TECHNICAL TERMS

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

“Fitting-out Works”	include (i) general fitting-out works which mainly involve stone and marble works, carpentry and joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, steel and metal works, installation or removal of hardware, furniture, equipment and sanitary wares, fittings, lightings, glazing works, painting works, wall papering, as well as other associated works, in respect of the interior spaces of a premise; and (ii) alteration and addition works which generally involve constructing a new extension to an existing building, combining two or more units into one, conversion of an existing building, installing cladding or curtain wall to the façade of existing buildings, modification of means of escape and means of access and barrier free access, as well as the common minor works in relation to repair of structural elements, external renderings/tiles, roof tiles or claddings
“ISO”	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”	a standard under ISO used for certification or registration and contractual purposes by organisations seeking recognition of their quality management, which specifies the requirement for quality management systems for any organisation that needs to demonstrate its ability to consistently provide products that meet its requisite standards
“ISO 14001”	a standard under ISO for environmental management which is primarily concerned with what an organisation does to comply with legal requirements to minimise the harmful effects on the environment caused by its activities and which sets requirements for what an organisation must do to manage processes influencing the impact of its activities on the environment

GLOSSARY OF TECHNICAL TERMS

“OHSAS”	an acronym for Occupational Health and Safety Management Systems, which provides a framework for organisations to identify and control its occupational risks and to improve their occupational safety and health performance
“OHSAS 18001:2007”	the requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business

FORWARD-LOOKING STATEMENTS

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, and “Financial Information”, which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would”, “consider”, “estimate”, “going forward” and similar expressions or statements and the negative of these words to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies, plans of operations and our operation and business prospect;
- our capital expenditure and funding plans;
- projects under planning;
- general economic conditions;
- capital market development;
- the future developments and competitive environment in our industry;
- our financial condition;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment of our industry in general; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed “Risk Factors” and elsewhere in this prospectus.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company was incorporated in the Cayman Islands and our operations are conducted in Macau and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business is project-based, and our profit margin may fluctuate.

Our business is project-based. During the Track Record Period, we derived all our revenue from our fitting-out projects and building construction projects. Our projects included a variety of commercial and residential properties, covering different project sizes and types. The needs for development of these properties may be affected by external factors beyond our control, such as changes in our customers' preferences and the general market conditions. Our customers generally engage us on a project-by-project basis and we did not enter into any long term agreement with them as at the Latest Practicable Date. Therefore, there is no assurance that we will be able to secure new contracts with existing customers or seek new customers in the future. Accordingly, the number, type and scale of projects we may be engaged in may vary significantly from period to period. Our revenue may be contributed by different types of properties from time to time and we record different levels of profit margin for our projects for different types of properties.

Our revenue and profit margin also depend on other factors which are beyond our control, such as, terms of the contracts, project duration, the efficiency of implementation of contract works, variation orders, our ability to control the project cost and progress as expected and the general market conditions. As a result, our revenue generated from our business may not be regular and we cannot assure that we can maintain the profitability of a project at any particular level. As such, our profit margin may fluctuate and our historical performance may not be indicative of our future performance.

If there is a significant decrease in the number of projects, or size of projects in terms of contract sums, awarded to us or if the amount of variation orders placed by our customers decreased significantly for any reasons, and if we are unable to secure projects with a relatively high profit margin in the future, our financial condition and results of operations would be materially and adversely affected.

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A significant portion of our revenue during the Track Record Period was attributable to our top five projects and any decrease in the number of such sizeable projects in term of revenue recognised would affect our operations and financial results.

The number and size of the projects we can undertake depends on our manpower and resources. Our business is project-based. Due to the size of our Group, a sizeable project will occupy a substantial part of our resources and inevitably result in our Group not being able to deploy resources to other projects and as a result we have to rely on a single project or otherwise a small number of projects during the project period.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the revenue recognised under our top five projects in terms of revenue recognised accounted for approximately 99.6%, 84.3%, 95.8% and 93.0% of our revenue, respectively. The award of projects with considerable contract sums to us will depend on our pricing strategy and the availability of such projects under the prevailing market conditions as detailed in paragraph headed “Risk Factors – Risks relating to the industry in which we operate” in this prospectus. There is no guarantee that we can maintain adequate number of sizeable projects at all times in the future and in case of any decrease in the number of such sizeable projects awarded to us, our operating results and financial performance may be adversely affected.

Our customers pay us by way of progress payment and require retention money from us, and there is no guarantee that progress payment will be paid to us on time and in full, or that retention money will be released to us on time and in full, after the expiry of the defect liability period.

We normally receive progress payment from our customers on a monthly basis, with reference to the value of works we have done. Generally, the authorised persons, usually architects or consulting quantity surveyors employed by our customers, would issue a progress certificate certifying the work progress in the preceding month upon our payment request. Please refer to the section headed “Business – Operation Procedures” for details. In addition, we grant our customers credit terms typically ranging from 0 to 45 days after the issuance of interim payment certificate by our customers, depending on the terms and conditions of the relevant contract. We had gross trade debtors amounting to approximately MOP33.6 million, MOP51.6 million, MOP17.3 million and MOP72.7 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, of which trade debtors of nil, approximately MOP0.5 million, nil and nil were individually determined to be impaired and on which allowance for doubtful debts had been made for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. We had not written off any trade debtors during the Track Record Period.

Our customers may generally retain 5% of the total contract sum as retention money. Generally, the first half of the retention money will be released upon the issuance of certificate of practical completion of the project and the second half will be released upon the issuance of certificate of completion of making good defects after the expiry of the defect liability period of approximately 12 months. As at 31 December 2014, 2015 and 2016

RISK FACTORS

and 30 June 2017, our retention receivables amounted to approximately MOP10.0 million, MOP24.2 million, MOP36.6 million and MOP40.0 million, respectively. We had not written off any retention receivables during the Track Record Period.

We cannot assure that the financial position of our customers will remain solvent or that our customers will pay us the progress payment or retention money on time in full or at all in the future. From time to time, we may also be engaged in prolonged negotiation with our customers with respect to the settlement of payment applications, in particular, the settlement of the final payment, the failure of which may also affect our collection. Any failure by our customers to make any payment on time or in full may have a material adverse effect on our liquidity position and operating results.

We depend on our subcontractors to complete a substantial part of the works of our projects and bear the risks associated with fluctuations in subcontracting fees, substandard performance and stability of their operations.

We have in the past relied on and expect to continue to rely on our subcontractors to complete a substantial part of the works of our projects. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our subcontracting fees accounted for approximately 40.0%, 51.2%, 71.4% and 80.9% of our total cost of sales, respectively. Changes in the subcontracting fees may be resulted from changes in the labour costs and materials or project-specific requirements. Most of our contracts are awarded on a fixed-price basis with a pre-determined timetable for project completion. Therefore, we may suffer from cost overrun or even losses in relevant projects, if the subcontracting fees we need to pay to our subcontractors exceed our initial estimation due to project delays. Moreover, if a subcontractor fails to provide services as required under a contract for any reason, we could be required to source another subcontractor which may cause delays or result in higher subcontracting fees than estimated, which could in turn affect our profitability.

We have established a system with respect to the selection and management of our subcontractors, including maintaining an approved list of subcontractors and inspecting the work quality and progress by our project managers. There is no assurance that we will be able to effectively monitor the performance of our subcontractors as directly and efficiently as with our own staff. We rely on the due and timely performance of our subcontractors for the timely delivery of our works. We may not be able to rectify the substandard works delivered by our subcontractors or engage another subcontractor in time or at all. We may also not be able to replace materials of inferior quality procured by our subcontractors in time or at all or unless at extra costs. Any material non-performance, delayed performance or substandard performance of our subcontractors could result in deterioration of our service quality or unexpected delays of our scheduled completion time or even our ability to complete our projects, which could in turn damage our reputation, and potentially expose us to liability and damage claims under the main contracts with our customers.

In addition, our subcontractors are subject to the relevant Macau laws and regulations in relation to work safety at sites and illegal workers. We require our subcontractors to follow and adopt all the safety, construction and building measures and procedures as stipulated in our safety management plans. There is, however, no assurance that there will be

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no violation, whether substantial or minor in nature, by our subcontractors of any laws, rules or regulations. If such violation occurred in the project sites where we are responsible as a main contractor, we may not only expose ourselves as primary obligor to prosecutions by relevant authorities, but also be subject to claims for losses and damages if such violations cause any personal injuries or death, damage to properties fines or other remedial measures. Our reputation, operations and hence our financial position will be adversely affected. In addition, relevant safety measures and procedures may change in the future. If there is any change to such safety measures and procedures applicable to us or our subcontractors, we may incur additional cost in complying with them, which in turn may adversely affect our profitability.

We maintain a high level of indebtedness and high gearing ratio that may affect our business, financial condition and results of operations

We maintain a high level of borrowings to finance our operations during the Track Record Period, and we expect that we will continue to have a high level of borrowings after the Share Offer. As at 31 December 2014, 2015, 2016 and 30 June 2017, our total outstanding bank loans, overdrafts and other borrowings amounted to approximately MOP92.9 million, MOP155.7 million, MOP158.3 million and MOP134.3 million, respectively. As at 30 June 2017, our capital commitments was approximately MOP80.9 million. Our gearing ratio, as calculated by dividing our total debts which include payables incurred not in the ordinary course of business by our total equity, was approximately 4.4 times, 2.4 times, 1.9 times and 2.4 times, as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

Our indebtedness could have an adverse effect on us, for example by: (i) increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; (ii) limiting our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate; (iii) limiting our ability to raise additional debt or equity capital in the future; (iv) increasing our exposure to interest rate fluctuation; and (v) restricting us from making strategic acquisitions or taking advantage of business opportunities.

In addition, loan agreements may contain certain restrictive covenants which may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, our ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' shares. Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by the then prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to fulfill our repayment obligations under our borrowings, or are otherwise unable to comply with the restrictions and covenants in the loan agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clause may also be triggered as a result.

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If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favourable or acceptable to us. As a result, our cash flow, cash available for distributions, financial condition and results of operations may be materially and adversely affected.

We determine the tender or quotation price based on our estimation of the costs and time involved and our failure to make accurate estimate may lead to cost overruns or even losses in our projects.

We determine the tender or quotation price based on our estimated project costs plus a mark-up margin. Our projects are normally awarded to us through competitive tendering or quotation processes. Therefore, we have to maintain the competitiveness of our pricing while maximising our profit margin. The contracts with our customers are generally on a fixed sum basis. The actual time and costs for completing a project may be adversely affected by various factors which are beyond our control, including shortage and cost escalation of materials and labour, additional variations to the project/engineering plans requested by our customers or due to technical needs, disputes with the main contractor and/or our subcontractors, accidents and other unforeseen problems or circumstances, and we have to bear the risk of cost fluctuations accordingly. Any of these factors can lead to delays in completion of works or costs overruns or even unilateral termination of projects by our customers due to unsatisfactory performance. There is no assurance that the actual time and costs would not exceed our estimate. If we are unable to control our costs within our estimate or recover the extra costs, our profit margin and result of operations may be adversely affected.

In addition, any failure to complete a project in accordance with the specification and quality standard on a timely basis as specified in the scheduled timetable may result in disputes, contract termination, liabilities and/or lower returns than anticipation on the project concerned, which may in turn materially and adversely affect our business, financial condition and results of operations.

We are exposed to our customers' credit risks. Our cash flow may fluctuate and our liquidity position may be adversely affected.

We generally pay the start-up costs, such as subcontracting fees and costs of materials in the early stage of a project and before we received any payment from our customers. Our customers generally make progress payments with reference to the value of works done without any advance payment, save that some of our customers may pay us advance payments ranging from 15% to 25% of the contract sum upon contract execution depending on the terms of the relevant contract. Please refer to the section headed "Business – Our customers – Major contract terms" for details. Therefore, we will normally incur net cash outflows at an early stage of carrying out our projects and our cash flows of a particular project will turn from net cash outflows at the early stage into accumulative net cash inflow gradually as the works progress. If we take up a large number of significant projects requiring substantial costs at a particular period of time, we cannot assure you that we can maintain sufficient control over our cash flows and we may not have sufficient and timely cash inflow from other projects to cover. We rely on prompt settlement of progress payments

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to meet our payment obligations in relation to costs incurred in our projects. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our trade debtors of nil, approximately MOP0.5 million, nil and nil were individually determined to be impaired and on which allowance for doubtful debts had been made, respectively. We had not written off any trade debtors during the Track Record Period. If there is a material mismatch in time between receipt of progress payments from our customers and payment of initial start-up costs and we fail to manage the fluctuation of our cash flows, our business, financial condition and results of operations could be materially and adversely affected.

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

Our projects are labour intensive. According to Frost & Sullivan Report, there has been constant shortage of workers in both the fitting-out and building construction industry in Macau. For a given project, we need to involve a large number of workers to complete the works. We also rely on foreign workers as local labour is limited. As at the Latest Practicable Date, more than 67% of our workforce consists of foreign workers. We are subject to labour quota restrictions in hiring foreign workers imposed by the Macau Government, and we may encounter difficulties in obtaining and renewing the necessary working visas and relevant documentations for our foreign workers.

In addition, we and our subcontractors may incur higher labour costs when competing with other industry participants for skilled labour. Our subcontractors may in turn increase the subcontracting fees charged to us due to cost pressure. Therefore, if we fail to attract, retain or replace workers and/or recruit sufficient local workers in a timely manner to cope with the demand of our existing or future projects, or there is a significant increase in the labour costs, we may not have sufficient workforce to be able to complete our projects on schedule or within budget. As such, our business, financial condition and results of operations may be materially and adversely affected.

Our contracts are awarded through tendering or quotation processes and not recurring in nature. Our future business depends on our continual success in project tenders or quotations.

Our revenue is derived from contracts awarded through competitive tendering or quotation processes and is not recurring in nature. The growth of our business depends on our success in project tenders or quotations. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our success rate in respect of acceptance of our tenders and quotations for our fitting-out projects was approximately 24.4%, 28.6%, 28.6% and 62.5%, respectively. For the same period, our success rate in respect of acceptance of our tenders and quotations for our building construction projects was approximately 14.3%, 25.0%, 33.3% and nil, respectively. Our existing customers are not under a contractual obligation to give us first right for any future projects. They are also not obliged to enter into contracts with us or engage our services for their subsequent projects and we are required to undergo tendering or quotation processes for each new project. There

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is therefore a risk that we may not succeed in our tender or quotation for the existing customer's services upon completion of our projects on hand or that we can be successful in tendering or quotation processes with new customers.

We need to pursue new customers for future businesses who may have different pre-requisite requirements in selecting contractors. Even if we are able to meet the pre-requisite requirements for specific projects, there is no assurance that (i) we would be invited to the tendering or quotation processes; or (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) our tenders or quotations would ultimately be selected by customers. We may have to lower our contract prices or offer more favourable terms to our customers to enhance our competitiveness. If we are unable to maintain our competitiveness or retain our existing customers or obtain new contracts continuously, our business, financial condition and results of operations may be materially and adversely affected.

In addition, most of our customers have adopted their respective evaluation systems to select the right contractor, which among other things, evaluate the standards of management, industrial expertise, financial capability, reputation and regulatory compliance of the candidate. Such evaluation standards may change from time to time. There is no assurance that we will be able to secure projects from our potential customers, which in turn may adversely affect our business, financial condition and results of operations.

We rely on our key management personnel and our success and growth depends on our ability to attract and retain our management personnel and technical staff.

Our success and growth depend, to a large extent, on our ability to retain the services of our key management personnel. Our Directors believe that our key management personnel possess the relevant knowledge, experience and skills, especially in their familiarity with our business, relationship with our customers and expertise and therefore is essential to us in carrying out our business and future plans.

The expertise of our project management staff are crucial in improving the overall project management and implementation in a cost-effective manner so as to improve our profit margin. Our success and growth is also dependent on our ability to identify, hire, train and retain suitable, skilled and qualified employees. Our key management personnel or project management staff may leave us or we may terminate their employment at any time. Our failure to retain capable and experienced employees or find suitable or comparable replacements in a timely manner would cause disruptions to our business and can have a material adverse effect on our business, financial condition and results of operations.

Our historical growth rate, revenue and profit margin may not be indicative of our financial performance in the future.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our revenue was approximately MOP129.8 million, MOP400.6 million, MOP463.3 million and MOP240.7 million, respectively. For the same period, our net profit amounted to approximately MOP17.1 million, MOP57.6 million, MOP70.7 million and MOP36.9 million, respectively. Our gross profit, for the same period, was approximately

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MOP28.5 million, MOP81.2 million, MOP105.9 million and MOP59.8 million, respectively, whereas our gross profit margin for the same period was approximately 22.0%, 20.3%, 22.9% and 24.8%, respectively. Please refer to the section headed “Financial Information” for a detailed discussion of our results of operations. There is an inherent risk in using such historical financial information of us to project or estimate our future financial performance, as they do not have any positive implication or may only reflect our past performance under certain conditions. Our future performance will depend on, among other things, our ability to secure new contracts, control on our costs, market conditions in Macau, and competition among contractors etc. All these may delay our project completion, reduce the number of projects awarded to us and/or reduce the profit margin of our projects.

In addition, our profit margin may also fluctuate from period to period due to factors such as the accuracy of our estimate of costs when determining the tender or quotation price, the complexity and size of the project, subcontracting fees and our pricing strategy. There is no assurance that our profit margin will not fluctuate in the future and 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 provide performance bonds backed by cash collateral or our current bank facilities in the course of our business operations which could expose our Group to possible loss.

We are generally required to provide performance bonds in favour of our customers to secure our contractual performance. The performance bonds are generally issued by a bank backed by cash collateral or our current bank facilities with the bank. As at 30 June 2017, the aggregate value of the performance bonds issued in favour of our customers was approximately MOP86.2 million. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the amount of bank deposits pledged to bank to secure the performance bonds issued was approximately MOP14.7 million, MOP15.4 million, MOP15.3 million and MOP15.3 million, respectively. Significant amount of cash collaterals will adversely affect our liquidity position. If we fail to perform our obligations under contracts, the bank will compensate our customers up to the amount of the performance bond on demand and in turn we will then become liable to compensate the bank. In such circumstances, our business, financial condition and results of operations will be adversely affected.

We are exposed to disputes, claims or litigation.

We may be involved in disputes, claims or litigations arising from our business operations, with our customers, suppliers, subcontractors, workers (including subcontractors’ workers) and other parties concerned with the projects from time to time. This may include (i) delay in completion of works; (ii) delivery of substandard works; (iii) disputes as to the value of works done; (iv) damage to property and equipment; and (v) personal injuries or death and other labour compensation. In addition, we may, from time to time, face prosecutions relating to labour safety offences arising from our or our subcontractors’ failure to comply with relevant work safety legislations (see “Business – Non-compliance Incidents”) or other safety or environmental offences. We cannot assure you that our safety measures and procedures are always sufficient and effective in ensuring our compliance with

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the safety requirements or that they are strictly adhered to. Any of such claims may cause us to incur material costs or losses, and hence materially and adversely affect our business, financial condition and results of operations.

We have maintained insurance policies and retained retention money from our subcontractors to cover some of these claims. However, our insurance coverage and money retained from our subcontractors or indemnity offered by our subcontractors may not be sufficient for the claims. The outcome of a claim is subject to relevant parties' negotiation, decision of the court or relevant arbitration organisation and it can be unfavourable to us. In the event that such claims fall outside of the scope and/or limit of our insurance coverage or retention money retained from our subcontractors, our financial position and results of operations may be adversely affected.

We are subject to certain construction risks.

The actual time involved in completing a project undertaken by us may be extended due to the occurrence of certain construction risks such as accidents, fire, suspension of water and electricity supplies, shortage of materials and labour, and other unforeseen problems. In particular, building construction projects are undertaken outdoor and therefore work progress may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, tropical cyclones and continuous rain which may cause difficulties to our Group in completing the projects on schedule. If there is delay caused by the aforesaid circumstances, we may have to subsequently accelerate our work progress in order to catch up to meet the scheduled time for completion and we may incur additional costs, thereby adversely affecting our profitability. If our project is delayed and the terms of the contract do not accommodate for such delays or our customers do not grant us with a sufficient time extension for the completion, we may be liable to pay for any liquidated damages to our customers according to the relevant contract terms, which will adversely affect our financial results.

We may be unable to implement our business strategies and future plans successfully.

The successful implementation of our business strategies and future plans as described in the "Future Plans and Use of Proceeds" in this prospectus are based on current estimates and assumptions and depend on a number of factors including the availability of funds, market competition and our ability to retain and recruit competent employees. Some of the factors are beyond our control and by nature, are subject to uncertainty, such as the general market conditions in Macau, the change in Macau Government's policy or regulatory regime of the fitting-out and/or building construction industry in Macau. There is no assurance that our business strategies and future plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on the profitability and prospects of our Group.

RISK FACTORS

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

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

We may face risks associated with the defect liability.

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

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

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our subsidiaries declared dividends of nil, approximately MOP15.4 million, MOP51.8 million and MOP63.8 million to the then shareholders, respectively, which had been settled by setting off against amounts due from directors. Subsequent to the Track Record Period, our subsidiary declared dividends to the then shareholders in aggregate amount of approximately MOP75.0 million, which had been settled by setting off against amounts due from directors. Dividends declared in the past are not indicative of our future dividend policy. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on our earnings, financial condition, cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. Please refer to the section headed “Financial Information – Dividends” for details. We cannot assure investors when or whether we will pay dividends in the future.

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RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a highly competitive market.

According to Frost & Sullivan Report, both the fitting-out industry and building construction industry in Macau are highly competitive. Market participants have to, not only come up with new creative ideas and skills, but also cut their prices and lower their profit to obtain projects. We have a large number of competitors which offer similar services as ours in Macau. Please refer to the section headed “Business – Competition” in this prospectus. Market players generally compete on the basis of manpower, resources, licenses and qualifications, operating histories, relationship with customers and brand names. To compete with the large number of competitors, we may face significant downward pricing pressure and thereby reducing our profit margin. We cannot assure you that our profit margin will not decline as a result of the price pressure. If we cannot adapt effectively to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our business may be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

Our performance is dependent on market conditions and in the overall economy which may change adversely.

All of our revenue was derived from our business operations in Macau during the Track Record Period. The future growth and level of profitability of our business in Macau are likely dependent primarily upon the level of major construction and building activities in Macau and the continued availability of major fitting-out and/or building construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, customers’ expenditure on such projects and the general conditions and prospects of the economy of Macau. Other factors affecting the fitting-out and/or building construction industries include cyclical trends in the economy as a whole, fluctuations in interest rates, availability of skilled labour and new projects in private sector. Should there be a recurrence of recession in Macau, deflation or any changes in Macau’s currency policy, or should the demand for our services in Macau deteriorate, our operations and profits could be adversely affected.

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

According to Frost & Sullivan Report, the labour costs for the fitting-out industry and the building construction industry in Macau have kept increasing in recent years. The average daily wages of fitting-out and building construction workers in Macau grew at a CAGR of approximately 7.4% and 6.4%, respectively, from 2011 to 2016. In addition, according to Frost & Sullivan Report, the costs of sand and concrete, being part of the major materials used in both the fitting-out and building construction industry, recorded the highest growth with a CAGR of approximately 20.5% and 20.4%, respectively, from 2011 to

RISK FACTORS

2016. The significant increase in labour costs and/or material costs will result in an increase in our cost of sales, thereby reducing our profit margin. The increases in labour costs and materials costs will also result in the increase of subcontracting fees.

According to Frost & Sullivan Report, apart from labour and materials costs, other indirect costs such as management, administration and insurance costs, have increased in recent years in Macau. Such costs may continue to increase due to pressures faced by contractors or subcontractors to implement more safety, environmental and health enhancements to maintain a safe work environment, to keep accident rate low, and to improve welfare requirements of workers. Our subcontractors may also pass on the increase in their costs to us by increasing their subcontracting fees. The changes in economic, environmental and government policy may also affect our labour and material costs, subcontracting fees and other costs. In addition, any change in the technical requirements, procurement methods and tendering or quotation processes are beyond our control. In the event that these costs continue to increase and we fail to pass on the increase to our customers, our business, financial condition and results of operations will be materially and adversely affected.

Changes in the rules and regulations governing the fitting-out industry and building construction industry, environmental protection and labour safety, and the licensing regime may adversely affect our operations.

Many aspects of our business operations are given by various laws and regulations in Macau. The licensing requirements for main contractor in the building construction industry, and the environmental protection and labour safety requirements may change from time to time. In the event that there are any material changes in the existing regulatory regime, we may incur additional costs in compliance or we may not be able to comply with all such requirements in time or at all, which may result in regulatory non-compliances and in turn materially and adversely affect our business and operations.

RISKS RELATING TO CONDUCTING BUSINESS IN MACAU

The economy of Macau may adversely affect our performance and financial condition.

All of our revenue during the Track Record Period was derived from our business operations in Macau. Our performance and financial condition is therefore dependent on the state of the economy in Macau. The economy of Macau substantially relies on its gaming industry, which can be affected by various factors, including policies and measures adopted by the PRC and Macau governments, and number of inbound tourists. In recent years, the gaming industry experienced a slowdown. As a result, the demand for fitting-out works for hotels and casinos had been adversely affected. In the event that the downturn in the economy of Macau continues or takes a turn for the worse, our financial condition and results of operations may be materially and adversely affected.

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RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares and their liquidity and market prices following the Share Offer may be volatile.

Prior to the Share Offer, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Bookrunner on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Share Offer. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active and liquid public trading market for our Shares will develop or, if it does develop, will be sustained following the Share Offer or that the market price of our Shares will not decline following the Share Offer. Furthermore, the market price and trading volume of our Shares may be volatile and may result in substantial losses for investors purchasing the Offer Shares in the Share Offer. Factors such as the following may affect the market price and trading volume at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- announcements of new initiatives by us or our competitors;
- changes in management or other key personnel of us or of our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in laws, regulations and policies affecting our industries in Macau;
- general market conditions or other developments affecting us or the industry in which we operate;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us or other Shareholders.

You should note that the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

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Shareholders' equity interests may be diluted.

We may need to raise additional funds in the future to finance, inter alia, expansion or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced and Shareholders may experience dilution in their percentage shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Future sale of Shares in the public market (or perception or speculation that such sales may occur) could materially and adversely affect the prevailing market price of the Shares.

The market price of the Offer Shares could decline as a result of future sale of substantial amount of Shares or other securities relating to the Shares in the public market or the issuance of new Shares or other securities, or the perception or speculation that such sales or issuances may occur. Future sale of substantial amount of our securities, including any future offerings, or the perception that such sales are likely to occur, may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem to be appropriate.

While the Shares held by our Controlling Shareholders are subject to a lock-up period, details of which are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses" in this prospectus, we are not in a position to give any assurances that they will not dispose of any Shares during the relevant periods. If any of their undertakings are waived or breached, or after the restrictions lapse, any future sales of a substantial number of our Shares or the perception or speculation that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

The interests of our Controlling Shareholders may differ from those of other Shareholders.

The interests of our Controlling Shareholders may differ from the interests of other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, you could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to the Shareholders for approval, such as mergers, acquisitions and disposal of all of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of other Shareholders.

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There may be a dilutive effect on the earnings per Share associated with the Share Option Scheme and an impact on future earnings.

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to section headed “Statutory and General Information – Other Information – 1. Share Option Scheme” in Appendix V to this prospectus. The issue of any options which may be granted under the Share Option Scheme in the future will result in an increase in the number of Shares in issue and may result in the dilution of the percentage of ownership of our Shareholders, the earnings per Share and net asset value per Share.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Certain statistics and facts in this prospectus have come from various government official publications whose reliability cannot be assumed or assured.

This prospectus includes certain statistics and facts extracted in whole or in part from various publicly available government official sources and publications or from the Frost & Sullivan Report or other sources. We believe that the sources of these statistics and facts are appropriate and we have taken reasonable care in extracting and reducing such statistics and facts from their respective sources. We have no reason to believe that such statistics and facts are false or misleading in any material respect or that any fact has been omitted that would render such statistics and facts false or misleading in any material respect. These statistics and facts have not yet been independently verified by our Company, the Sole Bookrunner, the Sole Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Share Offer. In addition, the information contained in the Frost & Sullivan Report was derived by means of, inter alia, desk research, client consultation and interviewing with key stakeholders and industry experts, which includes information that is not publicly available. Therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

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

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminologies such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update

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publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking Statements” in this prospectus for further details.

Investors should read this entire prospectus carefully, and we cannot assure you that any information contained in press articles or other media coverage regarding us and the Share Offer is appropriate, accurate, complete or reliable. You should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this Prospectus.

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our Company's headquarters are located in Macau, and the principal business operations of our Group are conducted in Macau, members of the senior management are and will be expected to continue to be based in Macau in close proximity to our Group's central management in Macau. At present, our Company has no business activities in Hong Kong and only one executive Director, namely Mr. Wan, is ordinarily resident in Hong Kong. As a result, our Company will not be able to satisfy the requirement under Rule 8.12 of the Listing Rules as our Company does not have, and does not contemplate in the foreseeable future after the Listing, that our Company will have sufficient management presence in Hong Kong. The Sole Sponsor has applied on behalf of our Company to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. In order to ensure that regular communication is maintained between the Stock Exchange and our Company, it is proposed that the following conditions will apply to the waiver sought:

1. our Company has appointed Mr. Che Chan U, one of the Company's executive Directors, and Mr. Ho Kwong Yu, the company secretary and chief financial officer, as our Company's authorised representatives pursuant to Rule 3.05 of the Listing Rules, and they will serve as our Company's principal channel of communication with the Stock Exchange and would be readily contactable by the Stock Exchange, and if required, will be able to meet with the Stock Exchange to discuss any matters in relation to the Company on short notice;
2. our Company has provided our authorised representatives and the Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and fax numbers. Both of the authorised representatives have means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any reason;
3. each of our Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Stock Exchange within a reasonable period of time when requested by the Stock Exchange;
4. our Company has appointed CLC International Limited as our Company's compliance advisor pursuant to Rule 3A.19 of the Listing Rules, who will serve as an additional channel of communication of our Company with the Stock Exchange from the Listing Date to the date when our Company distributes the annual reports to our shareholders for the first full financial year immediately after the listing of the Shares; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

5. meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or the compliance advisor of our Company or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our authorised representatives and/or our compliance advisor.

INFORMATION ABOUT THE 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 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, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

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

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus, and the procedures for applying for 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.

UNDERWRITING

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

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Bookrunner and the Joint Lead Managers. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement and the Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement and are subject to our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

Further details about the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THE PROSPECTUS AND THE SHARE OFFER

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the sections headed “Underwriting” and “Structure of the Share Offer” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, 4 January 2018 or such later date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. If our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), any Shares to be issued under the Capitalisation Issue, and any Shares which may be issued upon exercise of any option which may be granted under the Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THE PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's 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 date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect your rights and interests.

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong, and only securities registered on the Hong Kong register of members may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to each Shareholder's registered address, or in the case of joint holders, the first-named holder.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising their rights thereunder. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Managers, and the Underwriters, any of their respective directors, agents, employees or advisers or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, the Shares.

INFORMATION ABOUT THE PROSPECTUS AND THE SHARE OFFER

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 16 January 2018. The Shares will be traded in board lots of 2,500 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

EXCHANGE RATE CONVERSION

Unless otherwise specified and for the purpose of this prospectus, amounts denominated in MOP are translated into HK\$ at the rate of MOP1.03 to HK\$1. No representation is made that any amounts in MOP have been, would have been or may be converted at the above rate or any other rates or at all.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Che Chan U (謝鎮宇)	Avn Panoramica Do Lago Nam Van 744B Lake View Mansion BL.1, 9 Andar I Macau	Chinese
Ms. Lei Soi Kun (李瑞娟)	Avenida Olimpica No. 239 23 Andar, A23 Edif, Flower City – Lei Pou Kok Taipa, Macau	Chinese
Mr. Wan Yee Sang (溫宜生)	Room 2801, Kai Tung House Yu Tung Court Tung Chung New Territories Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Fan Chun Wah, Andrew (范駿華)	Unit A, 5/F, Lowrise 12 Mayfair by the Sea I Tai Po New Territories	Chinese
Mr. Eulógio dos Remédios, José António (李秉鴻)	Rua de Braganca No. 488, Fase H 16 Andar, A16 Edif, Urbanizacao da Nova Taipa – Fase 1 Taipa, Macau	Chinese
Ms. Leong Iat Lun (梁逸鸞)	R. Chunambeiro 24 11 Andar B Ed. Fung Keng Garden Macau	Chinese

For further information regarding our Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

CLC International Limited
13th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong
(a corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined in the SFO)

Sole Bookrunner

Innovax Securities Limited
Unit A-C, 20/F, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

Joint Lead Managers

CLC Securities Limited
13th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

Innovax Securities Limited
Unit A-C, 20/F, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

Co-Lead Managers

CNI Securities Group Limited
10/F, Sun's Group Centre
200 Gloucester Road
Wanchai, Hong Kong

Marketsense Securities Limited
Unit 7801-7803, 78/F
The Centre, 99 Queen's Road
Central, Hong Kong

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Company *As to Hong Kong law:*
Sincere Wong & Co.
Rooms 911-912, Wing On Centre
111 Connaught Road Central
Hong Kong

As to Macau law:
Leong Hon Man Law Office
12th Floor
China Law Building
Avenida da Praia
Grande no. 409
Macau

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Legal advisers to the Sole
Sponsor and the Underwriters** *As to Hong Kong law:*
Sidley Austin
39/F
Two Int'l Finance Centre
Central
Hong Kong

**Auditors and reporting
accountants** KPMG
8th Floor, Prince's Building
10 Chater Road
Hong Kong

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(a corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined in the SFO)

Receiving Bank

The Bank of East Asia, Limited
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CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and Principal Place of Business in Macau	Edificio Centro Comercial Chong Fok 8C, Avenida de Marciano Baptista 18, Macau
Principal Place of Business in Hong Kong	Rooms 911-912 , Wing On Centre, 111 Connaught Road Central, Hong Kong
Company's website	spacegroup.com.mo (information in this website does not form part of this prospectus)
Company secretary	Mr. Ho Kwong Yu (<i>CPA</i>) Ft 4, 21/F, Hing Lam Hse Kwong Lam Court Sha Tin, New Territories Hong Kong
Authorised representatives	Mr. Ho Kwong Yu Ft 4, 21/F, Hing Lam Hse Kwong Lam Court Sha Tin, New Territories Hong Kong Mr. Che Chan U Avn Panoramica Do Lago Nam Van 744B Lake View Mansion BL.1, 9 Andar I Macau
Audit committee	Mr. Fan Chun Wah, Andrew (<i>Chairman</i>) Mr. Eulógio dos Remédios José António Ms. Leong Iat Lun
Remuneration committee	Mr. Eulógio dos Remédios José António (<i>Chairman</i>) Ms. Leong Iat Lun Mr. Wan Yee Sang
Nomination committee	Mr. Che Chan U (<i>Chairman</i>) Ms. Lei Soi Kun Mr. Eulógio dos Remédios José António Ms. Leong Iat Lun Mr. Fan Chun Wah, Andrew

CORPORATE INFORMATION

Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Banco Nacional Ultramarino, S.A. 22 Av. Almeida Ribeiro Macau The Hongkong and Shanghai Banking Corporation Limited 639 Avenida da Praia Grande Macau Bank of China Macau Branch Bank of China Building Avenida Doutor Mário Soares Macau

INDUSTRY OVERVIEW

This section contains certain information which is derived from various official government or publicly available sources and from the industry research report prepared by Frost & Sullivan which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. While we have exercised reasonable care in compiling and reproducing such information from official government publication, it has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Managers or any other party involved in the Listing or their respective directors, officers, employees, advisers, agents and no representation is given as to the accuracy or completeness of such information. Accordingly, such information should not be unduly relied upon.

The information extracted from the industry research report from Frost & Sullivan reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. While we have exercised reasonable care in reproducing market data disclosed in this prospectus, and have no reasonable ground to believe and do not believe that any such information being included in this prospectus is untrue, such information has not been independently verified by our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Managers or any other party involved in the Listing or their respective directors, officers, employees, advisers, agents and no representation is given as to the accuracy or completeness of such information. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an Independent Third Party, to produce the industry research report on Macau's fitting-out and building construction industry, at a total fee of HK\$380,000. The report prepared by Frost & Sullivan is independent from our influence. The payment of such amount was not contingent upon the success of the Listing or upon the results of the industry research report.

Frost & Sullivan is an independent global consulting company founded in 1961 and based in the United States. Its services include industry research and market strategies and provides growth consulting and corporate training.

Frost & Sullivan's research was undertaken through both primary and secondary research obtained from various sources. Primary research involved in-depth interviews with industry expert. Secondary research involved reviewing industry reports, market database, trade journals, industry literature and annual reports and Frost & Sullivan's own research. The information and statistics as set forth in this section have been extracted from the Frost & Sullivan Report.

The analysis in the industry research report is based on the following assumptions:

- (i) there is no external shock such as financial crisis or natural disasters to affect the demand for and the supply of Fitting-out Works and building construction works in Macau over the forecast period; and

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- (ii) the key drivers of the industry are likely to continue to affect the market over the forecast period.

The parameters considered in the forecast models and figures in the Frost & Sullivan Report include:

- (i) nominal GDP value and growth rate in Macau from 2011 to 2021;
- (ii) gross value of construction work and other receipts and gross number of completed construction projects in Macau from 2011 to 2021;
- (iii) market size of the overall fitting-out industry and building construction industry in Macau from 2011 to 2021;
- (iv) average price of fitting-out and building construction projects in Macau from 2011 to 2021; and
- (v) value of alteration and addition works and other receipts in Macau from 2011 to 2021.

Some of the information extracted from the Frost & Sullivan Report are also referred to in the sections headed “Summary”, “Risk Factors”, “Business” and “Financial Information” in this prospectus. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

MACRO-ECONOMIC ENVIRONMENT IN MACAU

Macau’s Economy

According to the Frost & Sullivan Report, Macau has become one of the world’s largest gaming centers, since the opening up of its locally-controlled casino industry to foreign competition in 2001. Macau has experienced robust growth in its nominal GDP from 2011 to 2014, mainly due to the growth in the tourism and gaming industries. The nominal GDP declined in 2015 mainly as a result of the anti corruption campaign launched by the PRC government, which reduced the number of tourists and gambling visitors from the PRC. However, it is expected that Macau will maintain a moderate growth in its nominal GDP, growing at a CAGR of approximately 2.8% from 2016 to 2020, reaching approximately MOP404.3 billion in 2021, mainly due to the sustained infrastructure investment and recovery of the tourism industry as supported by the government policy in diversifying tourism and the development of integrated resorts in Macau.

Market size of the construction industry in Macau

The overall value of construction work and other receipts in Macau increased from approximately MOP24.8 billion in 2011 to approximately MOP102.3 billion in 2016, growing at a CAGR of approximately 32.8%. This is driven by the robust growth of tourism and gaming industries which in turn drive the demand for hotels and casinos. The Macau

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Government has launched promotion campaigns and related policies to support its tourism, despite the downturn in the gaming industry in 2015. It is expected that the upcoming completion of the Hong Kong-Zhuhai-Macau Bridge will stimulate the tourism industry in Macau, which in turn lead to an increase in demand for new shopping malls, commercial facilities and casinos. It is therefore expected that the overall value of construction work in Macau will continue to grow at a CAGR of approximately 18.5%, reaching approximately MOP239.1 billion in 2021.

THE FITTING-OUT INDUSTRY IN MACAU

Types of fitting-out works generally include (i) general fitting-out works such as stone and marble works, carpentry and joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, steel and metal works, installation or removal of hardware, furniture, equipment and sanitary wares, fittings, lightings, glazing works, painting works, wall papering, as well as other associated works, in respect of the interior spaces of a premise; and (ii) alteration and addition works which generally involve constructing a new extension to an existing building, combining two or more units into one, conversion of an existing building, installing cladding or curtain wall to the façade of existing buildings, modification of means of escape and means of access and barrier free access, as well as the common minor works in relation to repair of structural elements, external renderings/tiles, and roof tiles or claddings. Fitting-out Works generally follow the growth of the construction industry.

Market size of fitting-out industry in Macau

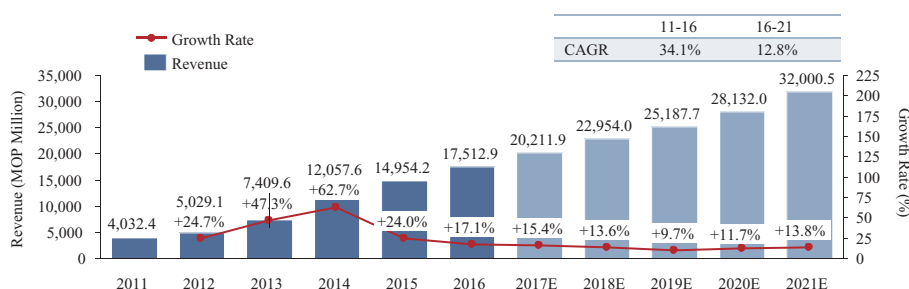
According to the Frost & Sullivan Report, the total revenue of fitting-out industry in Macau increased from approximately MOP4,032.4 million in 2011 to approximately MOP17,512.9 million in 2016, growing at a CAGR of approximately 34.1%. This rapid growth is driven by the robust construction market and the continued investment in the property market, in particular development of integrated resorts, including casino, shopping malls and hotels. Despite the growth of the gaming industry has slowed down in 2015, the steady growth in Macau's construction works continue to contribute to the development of the tourism industry and the construction market, which will sustain the growth of the fitting-out industry.

The Macau Government has implemented policies to promote Macau as the world center of tourism. With the infrastructure development in Macau, such as the construction of the Hong Kong-Zhuhai-Macau Bridge, more new buildings will be constructed and more upgrading of facilities will be required. The rapid development of Hong Kong, Macau and Guangdong Province in recent years has accelerated the economic integration of the three regions, in particular the substantial increase in passenger flow and freight transport between the regions. The construction of the Hong Kong-Zhuhai-Macau Bridge will connect Macau with the road networks of Western Pearl River Delta and Hong Kong, in which the transportation cost and time will be substantially reduced. Such improved connectivity brought by the Hong Kong-Zhuhai-Macau Bridge would attract more tourists from Hong Kong and Western Pearl River Delta to Macau, thus further promoting Macau as a tourism and business hub in the region.

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The expected boom in tourism and the business opportunities brought by such economic integration would require the construction of more facilities and infrastructure to support the increase in passenger and logistical flow in Macau. As a result, the construction of the Hong Kong-Zhuhai-Macau Bridge will continue to support the growth of construction in Macau, which would lead to more buildings being constructed. It is forecasted more hotels, casinos, shopping malls and public amenities would be developed to accommodate the rising number of tourists in the future. The total revenue of the fitting-out industry in Macau is therefore expected to experience a slower growth at a CAGR of approximately 12.8%, reaching approximately MOP32,000.5 million in 2021. The following table sets forth the total revenue of the fitting-out industry in Macau from 2011 to 2016 and the forecast from 2017 to 2021, respectively:

Revenue of Fitting-out Industry (Macau), 2011-2021E

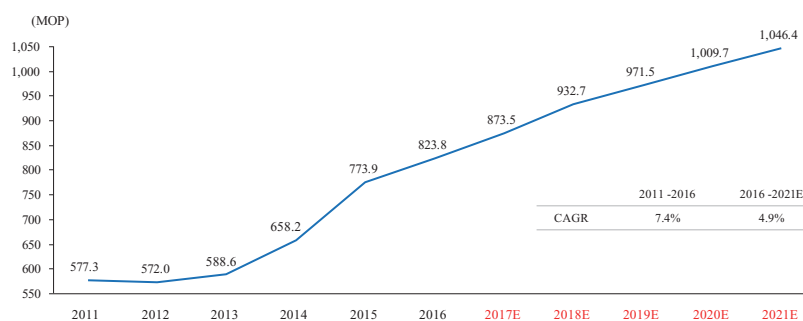


Source: Frost & Sullivan

Average labour wages and raw material costs of the fitting-out industry in Macau

Due to the labour shortage in the fitting-out industry and the increase in demand for Fitting-out Works, the average daily wages of fitting-out workers in Macau increased from approximately MOP577.3 in 2011 to approximately MOP823.8 in 2016, representing a CAGR of approximately 7.4%. According to Frost & Sullivan Report, it is estimated that the average daily wages will further increase to approximately MOP1,046.4 in 2021, considering the labour shortage in the following years and more integrated resorts and non-gaming amenities and infrastructures are expected to be completed in the following years. The following chart sets forth the average daily wages of fitting-out workers in Macau from 2011 to 2016 and the forecast from 2017 to 2021, respectively:

Average Daily Wages of Fitting-out Workers (Macau), 2011-2021E



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Note: The average daily wage of fitting-out workers is calculated based on the average daily wages of concreter layers, drain layers, concrete formwork carpenters, bricklayers, plasterers, carpenters, painters, plumbers, electricians and electrical workers.

Sources: *Statistics and Census Service (DSEC) of the Macau Government, Frost & Sullivan*

The major raw materials of Fitting-out Works include aggregates, sand, concrete, glass, wood, paint and water supply pipes and there was a steady increase in the average price from 2011 to 2016, primarily due to the continued growth in the property market and the construction industry in Macau. Sand, among all raw materials, recorded the highest growth with a CAGR of approximately 20.5%, which is followed by concrete, with a CAGR of approximately 20.4% during the same period. The prices of sand and concrete are expected to grow at a CAGR of approximately 14.1% and 12.2% from 2016 to 2021, respectively. The following table sets forth the average price of the major raw materials in the fitting-out industry in Macau:

Price trends of major raw materials for fitting-out industry in Macau

	Unit	2011	2012	2013	2014	2015	2016	2021E	CAGR 2011-2016	CAGR 2016-2021
Sand	m ³	92.6	119	135.35	154	197.5	235.49	455.4	20.5%	14.1%
Concrete	m ³	369.75	444	544	666	779.25	936.70	1665.6	20.4%	12.2%
Aggregates (gravel and crushed stones)	m ³	83.5	85.625	88.975	93.8	95.3	98.17	110.0	3.3%	2.3%
Ordinary wood column	m ³	2439.5	2465	2565.75	2621.5	2599.25	2678.10	2971.4	1.9%	2.1%
Ordinary clear sheet glass	m ²	87.375	90.15	93.45	95	92.225	96.05	102.0	1.9%	1.2%
Water supply pipes	unit	25.575	26.4	26.7	28.125	28.8	29.84	33.4	3.1%	2.3%
Emulsion paint	litre	25.725	26.8	27.725	28.375	29.6	30.70	34.7	3.6%	2.5%

Sources: *Statistics and Census Service (DSEC) of the Macau Government, Frost & Sullivan*

Market growth driver for fitting-out industry in Macau

Diversified development in tourism. In 2016, the PRC government released the 13th Five Year Plan positioning Macau as the world centre of tourism, through diversifying the tourism industry and promoting cultural tourism. These include accommodation upgrading, cultural amenities construction, event organisation, and transportation networks enhancement. It is therefore expected that more fitting-out works will be required in the construction and renovation of social and entertainment amenities, transportation facilities and tourist attractions. The increasing number of construction projects will continue to benefit Macau's fitting-out industry.

Surging demand for new construction. The Macau Government plans to press ahead with more non-gaming elements to the tourism industry so as to promote economic diversification of Macau to maintain sustainable development. The new entertainment options include new cultural tourist attractions and the offerings for Meetings, Incentives, Conferences and Exhibitions. The gaming operators also launched various integrated resort

INDUSTRY OVERVIEW

projects to add more non-gaming features to their hotels and resorts, which in turn create the needs for more fitting-out works in the new buildings and refurbishment of facilities in the integrated resort, creating growth opportunities for the fitting-out contractors.

The Macau Government has implemented policies in encouraging owners of integrated resorts to promote development of non-gaming attractions in their respective resorts to attract non-gaming tourists. As a result, according to the press release issued by the Government Information Bureau of Macau in December 2015, non-gaming features have accounted for approximately 90% of offerings in newly opened gaming resorts in Macau.

For instance, the construction of third and fourth phases of the Galaxy Macau resort focused on building in non-gaming features and primarily targeting construction of MICE (meetings, incentives, conferences, and exhibitions) to introduce Macau as a new destination for convention and meetings for businessmen. On the other hand, the completion of The Parisian Macau, Sands China's Cotai Strip development brought in non-gaming features such as the construction of 12,000 hotel rooms, nearly 1.7 million square feet of MICE space, approximately 1.9 million square feet of retail malls, theaters and other amenities. The development and diversification of these integration resort offerings resulted in the construction of a wide variety of facilities so as to allow integrated resort owners to provide a full complement of products and services to cater for different market segments and needs. In particular, the development on Cotai has resulted in the construction of four integrated resorts, MICE space, additional retail, dining and entertainment facilities and a range of hotel offerings. As a result, the development of non-gaming aspect of the tourism industry will result in a surge in demand for new construction in Macau.

Competitive landscape of the fitting-out industry in Macau

According to Frost & Sullivan Report, there were about 200 fitting-out contractors in Macau in 2016. The fitting-out industry in Macau is highly competitive with the top five contractors took up approximately 16.6% of the market share in terms of estimated revenue derived from Fitting-out Works in 2016. Our Group ranked as the second largest fitting-out contractor in Macau in 2016 in terms of estimated revenue, with approximately 1.9% market share. Nonetheless, since the fitting-out industry in Macau is highly fragmented with the largest fitting-out contractor having a significantly larger market share of approximately 10.8% in terms of revenue in 2016 compared to our Group, there is a risk that the largest fitting-out contractor may be willing to underbid for projects to gain market share which may have a material adverse effect on our Group.

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The following table sets forth the top five fitting-out contractors in Macau in terms of estimated revenue in 2016:

Ranking	Company name	Headquarter Location	Principal business	Estimated Revenue <i>(MOP in millions)</i>	Market Share <i>(%) (Note)</i>
1	Competitor A	Hong Kong	An integrated fitting-out contractor in Hong Kong, specialising in providing fitting-out works for residential property and hotel projects in Hong Kong and Macau.	1,885.5	10.8%
2	Our Group	Macau	Our Group provides services of (i) Fitting-out Works; and (ii) building construction works in Macau.	327.7	1.9%
3	Competitor B	Macau	An integrated fitting-out contractor, carrying out construction works as a main contractor, and repair and maintenance works, mainly in Macau.	280.1	1.6%
4	Competitor C	Macau	A provider of construction services, including superstructure and fitting-out, to the hotel and casino industries in Macau.	238.7	1.4%
5	Competitor D	Macau	A provider of solutions to interior fitting-out and alteration services for customers in Hong Kong, Macau and the PRC.	172.8	1.0%
Others				14,608.1	83.4%
Total				17,512.9	100.0%

Note: The market share of the top five contractors, which was approximately 16.6% in aggregate, is calculated by dividing the total estimated revenue of the top five contractors by the total estimated revenue of the fitting-out industry in Macau in 2016, instead of adding up the respective market shares of each of the top five contractors.

Source: Frost & Sullivan

Future opportunities and challenges of the fitting-out industry in Macau

Cross-regional infrastructure project. The Hong Kong-Zhuhai-Macau Bridge is one of the major infrastructure projects and aimed to link up Hong Kong, Macau and Zhuhai city. It is expected that such infrastructure development will bring in more tourists, thus driving the revitalisation of the Macau property market and will also improve mobility and connectivity between the three regions, which in turn help to promote and facilitate regional trade, logistics and tourism.

New development of luxurious integrated resorts. Macau's economy has heavily relied on its tourism and gaming industries over the years. The recent downturn in both industries has limited growth of the fitting-out industry. The development of the Cotai Strip has

INDUSTRY OVERVIEW

marked a new era for the gaming industry in Macau. It is expected that the development of luxurious integrated resorts will bring new momentum to the tourism industry and lead to more new construction projects, which eventually increase demand for Fitting-out Works.

Labour shortage. Macau has a relatively small population and shortage of skilled workers had limited growth of the construction industry. Labour costs have kept increasing in the past years and it is expected that labour costs will further increase in the following years, which will adversely affect the profit margins of fitting-out contractors.

Higher expectation from customers. Higher expectation from customers such as demanding more fancy design, tighter work execution schedule and higher quality of decorative and renovation materials increase project complexity. Fitting-out contractors therefore take up extra workload on sourcing specific materials, adding headcount in order to meet client expectation.

Barriers to entry

Industry expertise and reputation. Practical experience and reputation in the fitting-out industry can only be gained upon successful completion of projects. Customers generally assess the suitability of contractors based on previous job reference. Customers therefore prefer to work with established fitting-out contractors and inadequate track record put new entrants at a disadvantage.

Good relationship with customers. Generally, the property developers or main contractor of the project tend to invite contractors who are on their list of contractors to bid for tenders. Having a good relationship with such property developers or main contractors will increase the likelihood of being awarded a contract. A new entrant may not be able to establish a network to secure contracts in the market.

Substantial capital investment. Substantial capital investment is often required for making prepayments or deposits to suppliers and subcontractors and for providing performance bonds to customers. It is therefore difficult for new entrants to start and sustain their business without the necessary financial standing.

Market trend of the fitting-out industry in Macau

Technology integration. Development of new building technologies reshapes the construction methodology. Building management solutions are designed and installed to meet specific needs such as optimising life cycle performance of buildings. Applications such as the use of centralised building controls such as heating, ventilation, air conditioning applications, lights and blinds, are integrated to achieve significant cost and energy savings.

Segregation of duties. In recent years, lots of large scale projects are taking place in Macau. Fitting-out contractors are required to deploy an efficient resource deployment and management for such large scale projects, due to the rising complexity of building design, demand for quality of work and tight schedules. Project management is therefore well segregated into project planning, management, and implementation. Main contractors

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outsource works to different subcontractors in accordance with their specialities and knowledge, while main contractors are responsible for project supervision and quality assurance.

Integrated one-stop services. Fitting-out contractors are expanding their service scope to remain competitive by extending their services from merely performing execution works to providing integrated one-stop services which include interior design and provision of furniture decoration services. Provision of integrated one-stop services is therefore expected to become the mainstream in fitting-out industry, in which fitting-out contractor will seek to further extend their service scope to enjoy significant synergy and cost saving, and to improve quality assurance.

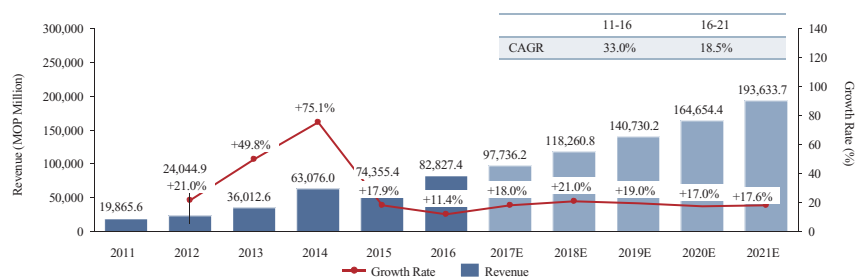
THE BUILDING CONSTRUCTION INDUSTRY IN MACAU

Building construction refers to the process of constructing a building or infrastructure. Building construction projects usually commence with project planning, through to project execution stage and completes with project acceptance by the project owners.

Market size of building construction industry in Macau

According to the Frost & Sullivan Report, the total revenue of building construction industry in Macau increased from approximately MOP19,865.6 million in 2011 to approximately MOP82,827.4 million in 2016, growing at a CAGR of approximately 33.0%. This is driven by commencement of several major development projects, in particular, construction of new casinos and hotels in 2013 and 2014. The total revenue is expected to increase to approximately MOP193,633.7 million in 2021, growing at a CAGR of approximately 18.5%, mainly attributable to the increase in the number of potential building construction projects as a result of the planning approval for private residential developments which in turn increase supply of housing flats by private sector developers in Macau. The following table sets forth the total revenue of the building construction industry from 2011 to 2016 and the forecast from 2017 to 2021, respectively:

Revenue of Building Construction Industry in Macau, 2011-2021E



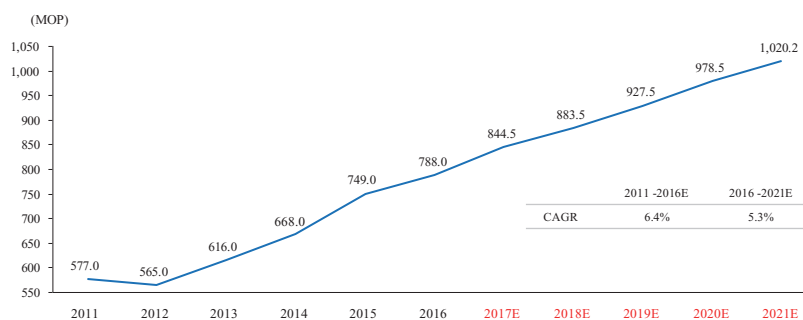
Source: Frost & Sullivan

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Average labour wages and raw material costs of the building construction industry in Macau

Due to the increase in demand for building construction works in Macau, the average daily wages of building construction workers in Macau increased from approximately MOP577.0 in 2011 to approximately MOP788.0 in 2016, representing a CAGR of approximately 6.4%. It is estimated that the average daily wages will further increase to approximately MOP1,020.2, considering the labour shortage in the following years and more establishments and infrastructures are expected to be completed in the following years. The following chart sets forth the average daily wages of workers in the building construction industry in Macau from 2011 to 2016 and the forecast from 2017 to 2021, respectively:

Average Daily Wage per Labour in Building Construction Industry in Macau, 2011-2021E



Note: The average daily wage of building construction workers is calculated based on the average daily wages of scaffolders, concreters and drain layers, structural iron erectors, concrete formwork carpenters, bricklayers and plasterers, carpenters, painters, Iron workers, plumbers, electricians and electrical workers.

Sources: Statistics and Census Service (DSEC) of the Macau Government, Frost & Sullivan

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The major raw materials of building construction works include aggregates, concrete, brick and steel bars and there was a significant growth in the average price from 2011 to 2016, primarily due to the continued growth in the property market and the construction industry in Macau. Sand, among all raw materials, recorded the highest growth with a CAGR of approximately 20.5%, which is followed by concrete, with a CAGR of approximately 20.4% during the same period. The prices of sand and concrete are expected to grow at a CAGR of approximately 14.1% and 12.2% from 2016 to 2021, respectively. The following table sets forth the average prices of the major raw materials in the building construction industry in Macau:

Price trends of major raw materials for building construction industry in Macau

	Unit	2011	2012	2013	2014	2015	2016	2021E	CAGR 2011-2016	CAGR 2016-2021
Spiral and round reinforcing steel bar	ton	5,948.0	5,742.5	5,151.0	4,977.5	4,528.3	4,406.3	3,098.5	-5.8%	-6.8%
Round reinforcing steel bar	ton	5,896.0	6,598.0	6,775.0	6,558.3	6,391.5	6,425.0	9,885.7	1.7%	9.0%
Sand	m ³	92.6	119	135.35	154	197.5	235.49	455.4	20.5%	14.1%
Concrete	m ³	369.75	444	544	666	779.25	936.70	1665.6	20.4%	12.2%
Aggregates (gravel and crushed stone)	m ³	83.5	85.6	89.0	93.8	95.3	95.3	104.2	2.7%	1.8%
Brick – Mainland China	100 pieces	77.0	80.1	89.5	94.5	95.0	92.0	102.6	3.6%	2.2%

Sources: Statistics and Census Service (DSEC) of the Macau Government, Frost & Sullivan

Market growth drivers for building construction industry in Macau

Strong governmental support. According to the Macau 2017 Policy Address, the Macau Government has announced public development plans, which will keep the construction industry active in the coming years where more public housing units and private residential flats will be built. Furthermore, the Macau Government has put an emphasis on diversifying development of tourism industry, in particular construction of integrated resorts, theme parks and integrated shopping malls.

Reclamation of land. Macau has limited available land area for construction, the Macau Government therefore continuously focusing on sea reclamation to expand land area. The reclaimed zones will become potential areas for construction development projects such as gaming and hotel facilities and large scale construction projects, and is likely to have a positive impact on demand in the construction industry, particularly building construction.

Supportive initiatives to boost tourism. The Macau Government has taken various measures to promote and diversify the development of tourism industry in Macau. The Macau Government Tourism Office has hosted special events during the public holidays and organised several major annual events such as the Macau Grand Prix. Hotels and casinos have also offered regular promotions and discounts for tourists. The growth of tourism industry creates opportunities for the construction industry, where new amenities and facilities will be built and thus drive up the demand building construction works.

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Competitive landscape of the building construction industry in Macau

According to the Frost & Sullivan Report, there were about 800 registered contractors in Macau providing building construction services as of March 2017. The building construction industry is relatively concentrated yet highly competitive and is dominated by non-Macau based contractors. The Group have gained approximately 0.16% of market share in the building construction industry in Macau in terms of revenue in 2016.

Future opportunities and challenges of the building construction industry in Macau

Belt-and-Road initiatives. The PRC government approved Macau to participate in the “Belt-and-Road” Initiatives in December 2016, where Macau will cooperate with other regions in the PRC as well as the other 60 countries and regions under the Belt-and-Road initiatives. Leveraging on its geographical location and its strategic positioning as a transportation hub, tourism, finance, and humanistic care will be the key areas of Macau’s participation, which in turn will provide a good opportunity for territory development and increase demand for building construction works such as construction of hotels and resorts.

Diversification of tourism sector. The “Macao Tourism Industry Development Master Plan” issued by the Macau Government aims to achieve sustainable economic development by diversifying the tourism sector. Such policy approach will contribute to the growth of tourism industry, and it is expected that more hotels and guest houses will be built and thus requiring more building construction works. The expected completion of the Hong Kong-Zhuhai-Macau Bridge will also bring an influx of tourists, thus stimulating the tourism industry and eventually benefiting the building construction industry.

Rising raw material cost. The raw material costs for the building construction industry have increased significantly in the past few years. It is expected that the cost of raw materials will further increase given the continued growth in the property and construction industry in Macau, which will place a heavy financial burden on building construction contractors. Building construction contractors may engage more subcontractors to perform the works so as to lower the construction cost.

Labour shortage. Macau has a relatively small population and shortage of skilled workers had limited the growth of the construction industry. As the number of construction projects increase, the shortage of labour supply will increase the likelihood of construction work delays, causing losses to all the parties involved in the construction work sector. In order to retain experienced engineers, skilled workers and specialist contractors, building construction contractors have started to pay higher wages, which has led to the increasing labour costs, thus reducing the profit margins for the building construction contractors. Notwithstanding that building construction contractors may hire foreign workers from the PRC and Hong Kong, there is a quota limitation for building construction contractors to employ such workers.

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Barriers to entry

Integrated one-stop solution. In Macau, building construction contractors generally offer integrated one-stop solution in which the scope of works may cover the entire spectrum of building, electrical and mechanical engineering, fitting-out and project management services for properties, such as casinos, hotels and residential flats. The provision of such integrated solutions therefore brings in project design, planning, coordination and execution in the delivery of building construction services. Such extensive capacity acts as a barrier to the new entrants.

Established industry reputation and track record. Reputation and credibility of building construction contractors are based on their track record from former projects. Timeliness of delivery, quality of work and safety are qualities that customers value in the building construction industry in Macau. Customers would prefer to work with established building construction contractors with extensive experience, which makes it difficult for new entrants to be awarded projects.

Substantial capital investment. As a common practice, main contractors may engage subcontractors in large scale projects which cover a variety of specialised areas. Substantial capital investment is often required to initiate construction-related business where building construction contractors may need to make prepayments or deposits to suppliers and subcontractors. It is therefore difficult for new entrants without sufficient cash flow to sustain themselves in the building construction industry in Macau.

Market trend of the building construction industry in Macau

Diversification of tourism sector. The anti-corruption campaigns launched by the PRC government have adversely affected the gambling and tourism industries in Macau. The Macau Government therefore plan to diversify its development strategies, so as to reduce its economic reliance on gambling industry. It is expected that new entertainment amenities and facilities such as exhibition centers, theme parks, and museums will be constructed to diversify the current tourist base. In order to promote non-gaming tourist activities and diversify tourist attractions, the Macau Government stated in its Macau Development Tourism Master Plan that a total of MOP115 billion will be allocated for non-gaming development purposes by 2025.

Rising cost and project complexity. Casinos and hotels form the main pillars of Macau's tourism industry. There are various construction projects launched and completed every year, new market entrants need to attract more tourists by differentiating themselves from their competitors. It is expected that this trend will become more common in Macau as competition intensifies. This will increase the complexity of the construction projects, which will in turn drive up the overall labour and construction costs, thus adversely affecting the profit margins of building construction contractors.

REGULATORY OVERVIEW

Regulatory regime to which the Group is subject in relation to the business operation in Macau

(i) Registration with DSSOPT

DSSOPT is the principal regulatory authority for the construction business.

Concerning construction works, DSSOPT promotes coast protection, conservation and maintenance, infrastructure and sanitation network development, public building and monument construction, and licensing for urban buildings and the utilization of electrical installations.

The relevant legal framework in respect of construction business is regulated by Decree Law No. 79/85/M, partially revoked by Law No. 1/2015.

Under the Decree Law No. 79/85/M is established the administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this law, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography and soil application infrastructures are considered “construction works”. Pursuant to which, the execution of construction works may only be carried out by companies or constructors that are duly registered with DSSOPT and in respect of licensed and approved projects. Moreover, the direction of any works carried out in Macau must be done by a technician also duly registered with the DSSOPT.

In general, for the registration of companies or constructors, DSSOPT will assess their capacity based on the documents submitted to DSSOPT, namely the list of the technical means at the Group’ disposal, as well as the list of the construction works previously carried out. Provided that a company or constructor has the required license to carry out construction works, a sub-contractor is not required to obtain a new license with DSSOPT.

The registration as a constructor with DSSOPT is valid by the end of the calendar year in which was requested. Failure to apply before the end of validity will result in the expiration of the registration as constructor with DSSOPT.

Under the Law No. 1/2015, the preparation and execution of projects related to air-conditioning and ventilation systems must be done by electricity engineers or technical machine engineers or, if related to mechanical ventilation, by fire safety engineers, electrical engineers, electromechanical engineers and mechanical engineers.

The qualifications of the technicians involved in the constructions business are made in accordance with Law No. 1/2015, by means of which those technicians, which include engineers and architects, are required to be duly licensed and registered in the Architect, Engineer and Urban Academy, a public authority in Macau.

REGULATORY OVERVIEW

(ii) Environmental Protection

The fundamentals of the legal regime of safety and environmental laws of Macau, which are applicable to every individual and corporate entity, are the Basic Law of Macau, the Law No. 2/91/M of 11th of March which is known as the organic environmental law of Macau (the “Macau Environmental Law”), 25 of August – Law No. 8/2014, regarding the prevention and control of the environmental noise for the protection of health and tranquillity of the population (“Law of Prevention and Control of Ambient Noise”) and series of international conventions in related fields applicable in Macau.

Article 119 of the Basic Law of Macau states that “The Macau Special Administrative Region shall carry out the protection of environment in accordance with law”. To implement this article together with the Macau Environmental law, Law of Prevention and Control of Ambient Noise and other applicable international conventions, numbers of environmental legislations in form of law, decree law and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods.

The provisions of this law apply to noise situations produced by: (i) modification works, maintenance and repair in residential buildings; (ii) Equipment used in construction and other works; (iii) air conditioning equipment and ventilation air; (iv) activities of everyday life and pets in residential buildings; (v) shows, entertainment and similar activities; (vi) any activities in buildings or building units for industry, trade and services; and (vii) activities in public spaces.

Macau Environmental Protection Bureau (“DSPA”) is responsible for the monitoring of compliance with the provisions that concern (i) works of modification, maintenance and repair in residential buildings; (ii) Equipments used in construction and other works; (iii) air conditioning systems and ventilation air; (iv) shows, entertainment and similar activities; and (v) Industry, trade and services.

On the other hand, the Macau Public Security Police Force (“CPSP”) shall monitor the compliance of noise in relation to daily living activities and pets in residential buildings and public spaces.

DSPA’s staff, in the exercise of their supervisory functions, enjoys public authority and may ask other public bodies, including the CPSP when collaboration is deemed necessary. The staff shall carry an identification card, whose model is approved by order of the Chief Executive, to be published in the Official Gazette of the Macao Special Administrative Region.

DSPA can request departments and agencies, public or private that have acoustic expertise for the necessary technical support to exercise their duties.

Law No. 8/2014 stipulates the rules for the prevention and control of environmental noise pollution. Pursuant to which, no any modification works, maintenance and repair, generating disturbing noise in residential buildings can be carried out on Sundays and holidays, as well as the period between 19h00 and 9h00 on weekdays. Furthermore, the

REGULATORY OVERVIEW

piling works stakes and the use of mechanical equipment, fixed or mobile, in construction works less than 200 meters from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 20h00 and 08h00 on weekdays.

Regarding water and marine pollution, in particular, Decree Law No. 46/96/M defines the technical conditions that must be satisfied in order to ensure the global functioning of the public water distribution system, the preservation of public health, and the safety fire fighting water installations, whereas Decree Law No. 35/97/M provides for the protection of the marine environment from pollution. The latter further prohibits the discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may contaminate marine water, beaches or coastal areas and affect their flora and fauna wildlife.

(iii) Labour matter

The labour regime in Macau is based on 27th of July 1998 – Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights) which prescribes general principles and directions of labor legislations.

18th of August – Law No. 7/2008 (Labor Relation Law), which became effective on 1 January 2009 and replaced the “old labor law” – 3rd of April 1989 – Decree-Law No. 24/89/M (Labor Relations, Juridical System), provides the basic requirements and conditions for all types of labor relations with certain exceptions. In general, requirements and conditions stipulated in such law cannot be waived by mutual agreement. All working conditions of whatever type of labor relation should not be worse than the basic conditions stipulated in such law.

The employer shall comply with the conditions required under 22nd of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) in order to provide a safe and clean working condition for its employees, failing of which will result fine and cautious measures to be imposed on the employer pursuant to 18th of February 1991 – Decree Law No. 13/91/M (determination of sanctions for the non-compliance of general regulation of working safety and hygiene of office, service and commercial establishments).

Furthermore, for the construction business, the employer shall comply with the rules provided under Decree Law No. 44/91/M (hygiene and safety regulation of civil construction) and Decree Law No. 34/93/M (legal regime of noise at work), to provide a safe, clean and environmentally friendly working conditions for the employees. Failure to comply with those rules may result in the application of fines, pursuant to the provisions set out by Decree Law No. 67/92/M and Decree Law No. 48/94/M.

The statutory requirements stipulated under 18th of October – Decree Law No. 58/93/M (approval of social security regime), revoked by Administrative Regulation No. 24/2015 (approval of Labor Credits Guarantee Fund) and partially revoked by Administrative Regulation No. 6/2007, Law No. 21/2009, Law No. 4/2010 and Law No. 10/2015, and 4th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), stipulate that an employer is obliged to participate and contribute to the mandatory social security funds and to obtain

REGULATORY OVERVIEW

compulsory industrial accident insurance for its employees in Macau in accordance with the relevant applicable legislations, failing of which will result an administrative fine to be imposed on the employer as legal sanction.

In the event an industrial accident occurs, the employer shall notify the Labour Affairs Bureau of Macau within 24 hours of the accident, or the time that they acknowledge and also the insurer within the period as regulated under the insurance policy. Failing of notification to the Labour Affairs Bureau of Macau will result an administrative fine from MOP2,500 to MOP12,500 to be imposed on the employer.

All employees must either be permanent or non-permanent Macau residents or holders of work permits in the case of foreign workers. Hiring a non-resident worker shall comply with the 15th of October – Law No. 21/2009 (Law of Hiring non-resident workers), and the employer is required to obtain the work permit in the case of foreign worker. Except for certain limited situations stated under 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work), workers other than Macau residents or holders of work permits will be considered as illegal workers in Macau and employers will be criminally liable under 2nd of August – Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation.

In addition, the statutory requirements stipulated under 8th of April – Law No. 3/2014 (Regime of Occupational Safety Card in Civil Construction), all individuals, whether they are employers or not, who participates the execution of works on construction sites or in places where there will be construction works are obliged to hold an valid occupational safety card.

The occupational safety card is issued by Macau Labor Affairs Bureau and it is used to prove that a cardholder possesses basic safety knowledge in civil construction.

The occupational safety card is acquired from finishing a training course of occupational safety card in civil construction or passing a public examination instituted by Macau Labor Affairs Bureau.

Failure to comply with those rules of Law No. 3/2014 (Regime of Occupational Safety Card in Civil Construction), an employee may be punished with an administrative fine of MOP 500 and the employer may be punished with an administrative fine from MOP 1,500 to MOP 7,500 pursuant to each employee involved in an violation.

The regulatory authorities which are responsible for labor safety, social security regime and insurance matters are the Labour Affairs Bureau of Macau, Social Security Fund of Macau and Monetary Authority of Macau, respectively.

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REGULATORY OVERVIEW

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The regulatory authorities in charge of labor safety, social security regime and insurance matters are the Labor Department of Macau, Social Security Fund of Macau and Monetary Authority of Macau, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 24 April 2017 in anticipation of the Listing. The subsidiaries of our Group comprise Space Construction BVI, Space Construction, Space Oriental, Minsang Oriental, and Space Group. Details of these subsidiaries and the corporate structure of our Group are set out in the sub-section headed “Corporate history” in this section.

Prior to the Listing, our Group underwent the Reorganisation and immediately following completion of the Reorganisation, 95% of the entire issued share capital of our Company was owned by Space Investment, a company incorporated in the BVI which is owned as to 94.74% by Mr. Che and 5.26% by Ms. Lei, whilst the remaining 5% of the entire issued share capital of our Company was owned by SW Construction, a company incorporated in the BVI and wholly owned by Mr. Wan.

Immediately following completion of the Share Offer and the Capitalisation Issue, Space Investment and SW Construction will own 71.25% and 3.75%, respectively, of the entire issued share capital of our Company (without taking into account any Share which will be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme and the Over-allotment Option).

BUSINESS DEVELOPMENT

Our Group’s history can be traced back to 2007 when Mr. Che, the founder of our Group, established Space Construction on 21 November 2007.

Milestones of our Group

The key events of the development of our Group are set out below:

Year	Key event
2007	Space Construction commenced business in Macau on 21 November 2007
2008	Space Construction was registered as a building construction company with the DSSOPT

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Key event
2009	<p>Awarded the first fitting-out project for a casino resort's VIP halls located in Macau Peninsula, Macau, with a contractual value of approximately MOP26.9 million by the first licensed casino gaming operator in Macau, in which the Group was issued with the certificate of practical completion for completing the required Fitting-out Works for an area of over 20,000 square feet within 50 days. By being able to complete the required Fitting-out Works for an area of this size within this timeframe, we established our reputation as a contractor in the fitting-out industry in Macau that can provide quality Fitting-out Works for casino resorts.</p>
2010	<p>Awarded a fitting-out project for a casino resort's back of house offices, toilets and pantries with a contractual value of approximately MOP12.5 million by the second licensed casino gaming operator in Macau.</p> <p>Awarded a fitting-out project for an Italian restaurant in a casino resort located in Cotai, Macau, with a contractual value of approximately MOP7.2 million by the third licensed casino gaming operator in Macau.</p>
2013	<p>Mr. Wan, who has over 20 years' experience in fitting-out industry, joined our Group in July 2013 and Space Oriental was established in September 2013 of which 30% was directly owned by Mr. Wan.</p>
2014	<p>Awarded with ISO certifications, namely ISO 14001:2004, ISO9001:2008, and OHSAS18001:2007</p> <p>Awarded two fitting-out projects for a casino resort's carpark and basement and podium ground level located in Cotai, Macau, with a contractual value of approximately MOP130.4 million and MOP93.6 million, respectively, by main contractor of the fourth licensed casino operator in Macau.</p> <p>Awarded a fitting-out project for a casino resort's French restaurant located in Cotai, Macau, with a contractual value of approximately MOP12.7 million by the third licensed casino operator in Macau.</p> <p>Awarded a fitting-out project for a casino resort located in Cotai, Macau, with a contractual value of approximately MOP25.6 million by the fifth licensed casino gaming operator in Macau.</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Key event
2015	Leveraging on our experience in fitting-out projects, we diversified our business by first offering building construction services in Macau in which we commenced work for a building construction project as project owner for a 43 storey and 4 underground level commercial and residential complex with a contractual value of MOP473.7 million

CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of establishment/incorporation.

Space Construction

Space Construction was incorporated in Macau on 21 November 2007 as a limited liability company with share capital of MOP100,000, 95% of which was directly owned by Mr. Che and the remaining 5% was directly owned by Mr. Cheung Chi Kit, an Independent Third Party. On 1 March 2010, Mr. Cheung Chi Kit's entire share interest in Space Construction was transferred to Ms. Lei.

Immediately prior to the Reorganisation, Space Construction was directly owned by Mr. Che and the remaining 5% was directly owned by Ms. Lei; immediately after the Reorganisation, Space Construction became a wholly-owned subsidiary of Space Construction BVI.

Space Construction commenced business on 21 November 2007 and it provides services of (i) Fitting-out Works, and (ii) building construction works, all in Macau.

Space Oriental

Space Oriental was incorporated in Macau on 11 September 2013 as a limited liability company with a share capital of MOP100,000, 50% of which was directly owned by Space Construction and 30% was directly owned by Mr. Wan. The remaining 20% was held by Mr. Wan as nominee for the benefit of Space Construction for commercial reasons, which Mr. Che and Mr. Wan believed was in the best interest of Space Oriental at that time.

On 30 November 2015, Mr. Wan transferred the 20% share interest that he held as nominee in Space Oriental to Space Construction.

Immediately after the Reorganisation, Space Oriental remained as a wholly owned subsidiary of Space Construction.

Space Oriental commenced business on 11 September 2013 and it provides services of (i) Fitting-out Works, and (ii) building construction works, all in Macau.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Minsang Oriental

Minsang Oriental was incorporated in Macau on 12 July 2013 as a limited liability company with share capital of MOP100,000, 50% of which was owned by Mr. Jianyu Situ, an Independent Third Party, with the remaining 50% being directly owned by Mr. Wan as at the incorporation date.

Subsequently, Mr. Jianyu Situ transferred his entire 50% share interest in Minsang Oriental to Mr. Che on 10 October 2013.

From 10 October 2013 to 25 September 2017, the share capital of Minsang Oriental was owned as to 50% each by Mr. Che and Mr. Wan.

Pursuant to an agreement signed by Mr. Che, Mr. Wan and Space Construction dated 20 April 2017, Mr. Che and Mr. Wan confirmed and acknowledged that they have been holding their 50% and 20% interest in Minsang Oriental, respectively, as nominees for Space Construction since 10 October 2013.

On 26 September 2017, Mr. Che and Mr. Wan transferred the 50% and 20% share interest that they have been holding as nominees in Minsang Oriental respectively to Space Construction.

Immediately after the Reorganisation, Minsang Oriental became a wholly owned subsidiary of Space Construction.

Minsang Oriental commenced business on 12 July 2013 and it provides services of interior designs in Macau.

Space Group

Space Group was incorporated in Macau on 3 May 2013 as a limited liability company with share capital of MOP50,000, 95% of which was directly owned by Mr. Che and the remaining 5% was directly owned by Ms. Lei immediately before the Reorganisation. Immediately after the Reorganisation, Space Group became a wholly-owned subsidiary of Space Construction BVI.

Space Group is a dormant company and has not commenced any business since its incorporation.

Yiu Cheong

Yiu Cheong was incorporated in Macau on 16 July 2013 as a limited liability company with share capital of MOP50,000, 95% of which was directly owned by Mr. Che and the remaining 5% was directly owned by Ms. Lei on the date of incorporation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 27 August 2013, Mr. Che transferred his 70% and 25% of his share interests in Yiu Cheong to Space Construction, and San Yiu Cheong Decoration Company Limited (an Independent Third Party), respectively. On the same date, Ms. Lei transferred her entire 5% share interest in Yiu Cheong to San Yiu Cheong Decoration Company Limited.

After the aforesaid transfer, Yiu Cheong was owned as to 75% by Space Construction and 25% by San Yiu Cheong Decoration Company Limited as at 27 August 2013.

Yiu Cheong was a dormant company and had not commenced any business since its incorporation, and was de-registered on 28 December 2016.

Space Construction BVI

Space Construction BVI was incorporated in the BVI as a BVI business company on 21 April 2017. Such company is authorised to issue a maximum of 50,000 shares of US\$1.00 par value each of a single class, among which 95 and five shares were directly held by Space Investment and SW Construction, respectively, on the date of incorporation.

As part of the Reorganisation, our Company would acquire all the issued shares in Space Construction BVI from Space Investment and SW Construction, with the result that, immediately after the Reorganisation, Space Construction BVI would be a wholly-owned subsidiary of our Company.

Space Construction BVI is an investment holding company.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 24 April 2017. The authorised share capital of our Company as at the date of incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the date of incorporation, our Company allotted and issued one Share, credited as fully paid at par, to the initial subscriber who is an Independent Third Party. Such one Share was transferred to Space Investment on the same day.

On the same date of the transfer, 94 and five fully paid Shares were allotted and issued credited as fully paid to Space Investment and SW Construction, respectively. After the aforesaid transfer and issue of Shares, and as at the Latest Practicable Date, the entire issued share capital of our Company was owned as to 95% by Space Investment and 5% by SW Construction.

Our Company was registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on 29 May 2017.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

In preparation for the Listing, our Group underwent the Reorganisation which includes the following steps:

Step 1: Incorporation of Space Investment, SW Construction, our Company and Space Construction BVI

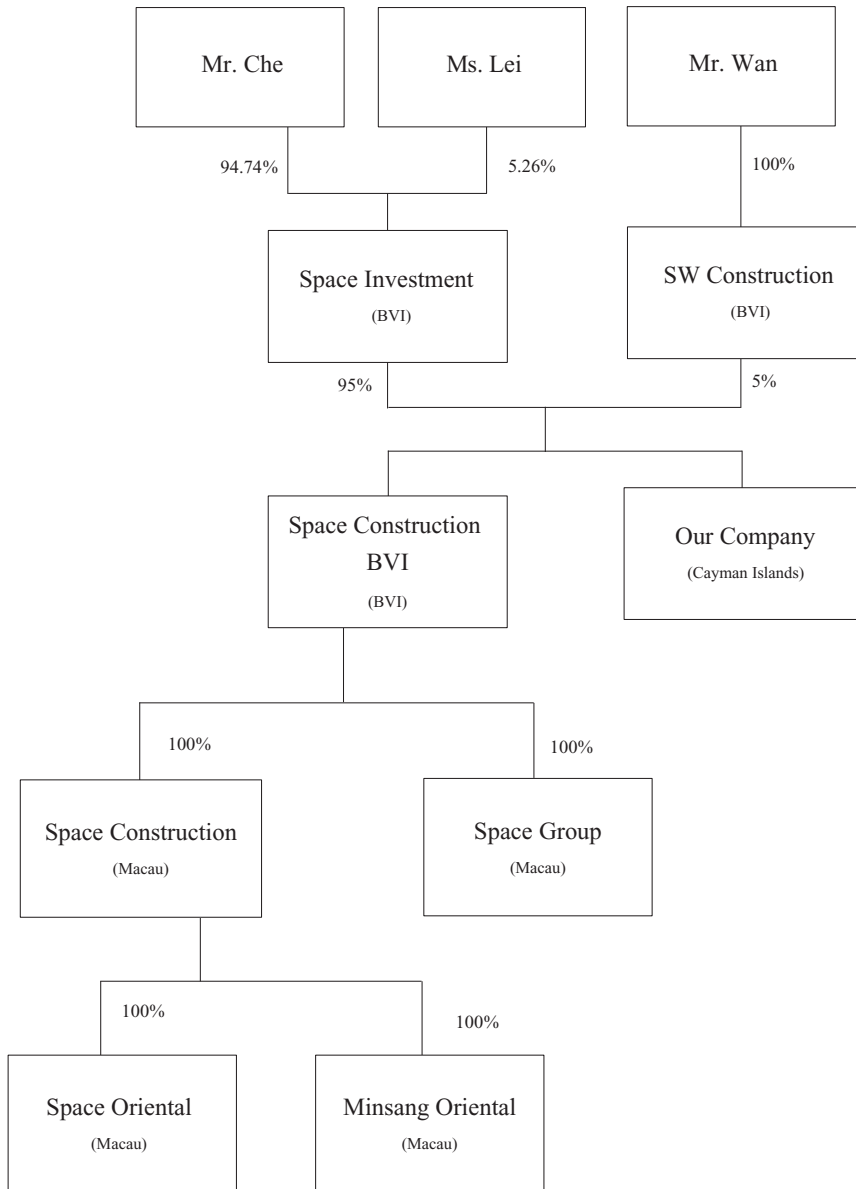
- (a) Space Investment was incorporated in the BVI with limited liability on 21 April 2017 and is authorised to issue a maximum of 50,000 shares of US\$1.00 par value each of a single class, among which 9,474 and 526 shares were held by Mr. Che and Ms. Lei, respectively on the date of incorporation.
- (b) SW Construction was incorporated in the BVI with limited liability on 21 April 2017 and is authorised to issue a maximum of 50,000 shares of US\$1.00 par value each of a single class, among which one share was held by Mr. Wan on the date of incorporation.
- (c) For details of the incorporation of our Company and Space Construction BVI, please refer to the paragraph headed “Corporate History” in this section.

Step 2: Acquisition of Space Construction, Space Oriental, Minsang Oriental and Space Group

- (a) On 19 September 2017, Mr. Che and Ms. Lei, as vendors, and Space Construction BVI, as purchaser, entered into a share transfer agreement, pursuant to which, Space Construction BVI acquired (i) 95% and 5% of Space Construction (in aggregate representing 100% of Space Construction) from Mr. Che and Ms. Lei, respectively; and (ii) 95% and 5% of Space Group (in aggregate representing 100% of Space Group) from Mr. Che and Ms. Lei, respectively. In consideration thereof, Space Construction BVI issued and allotted 95 Shares to Space Investment (as directed by Mr. Che and Ms. Lei).
- (b) On 26 September 2017, Mr. Che, Mr. Wan and Space Construction entered into a share transfer agreement, pursuant to which Mr. Che and Mr. Wan transferred the 50% and 20% share interest that they have been holding as nominee in Minsang Oriental respectively to Space Construction.
- (c) On 26 September 2017, Mr. Wan as vendor and Space Construction as purchaser, entered into a share transfer agreement pursuant to which, Space Construction acquired (i) 30% of Minsang Oriental and (ii) 30% of Space Oriental from Mr. Wan. In consideration thereof, Space Construction BVI issued and allocated five shares to SW Construction, as instructed by Mr. Wan.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

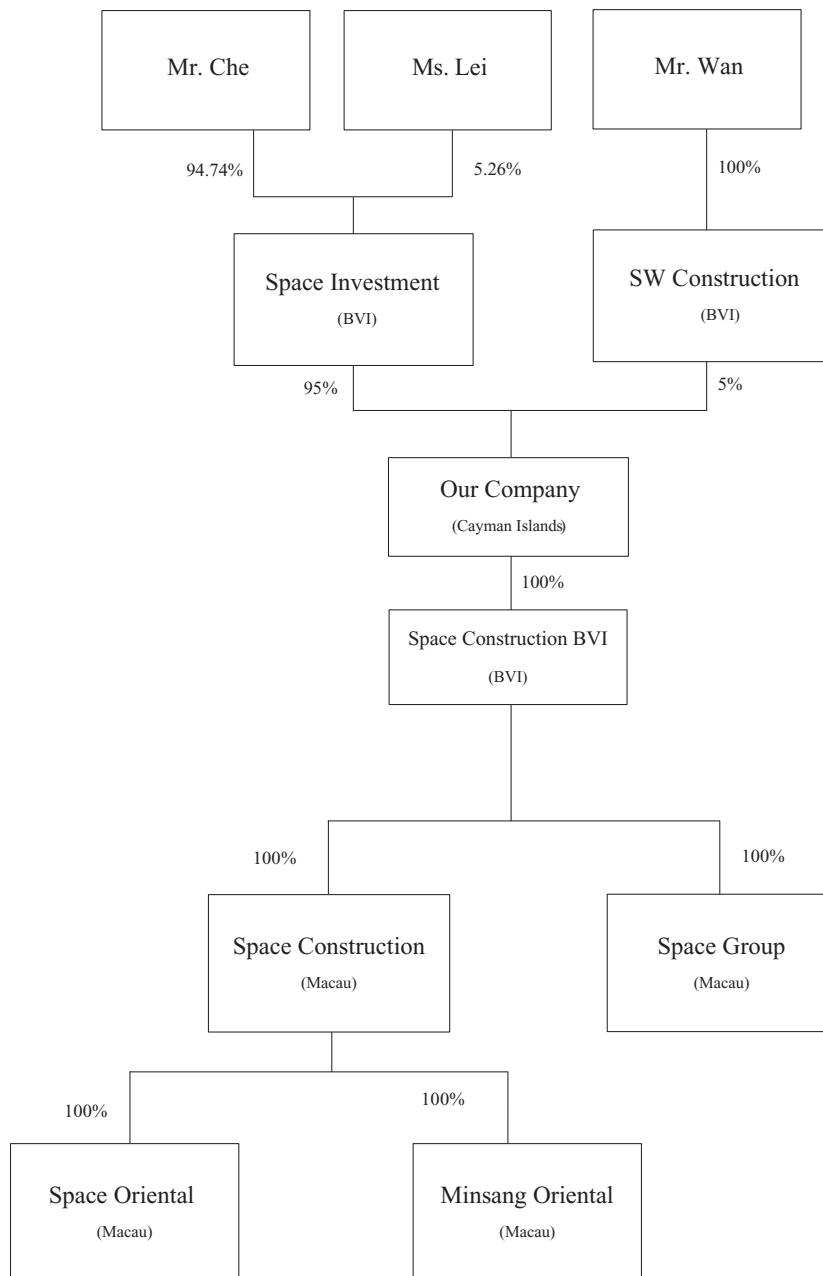
- (d) Set out below is the structure of our Group immediately following completion of step 2 of the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Step 3: Acquisition of Space Construction BVI

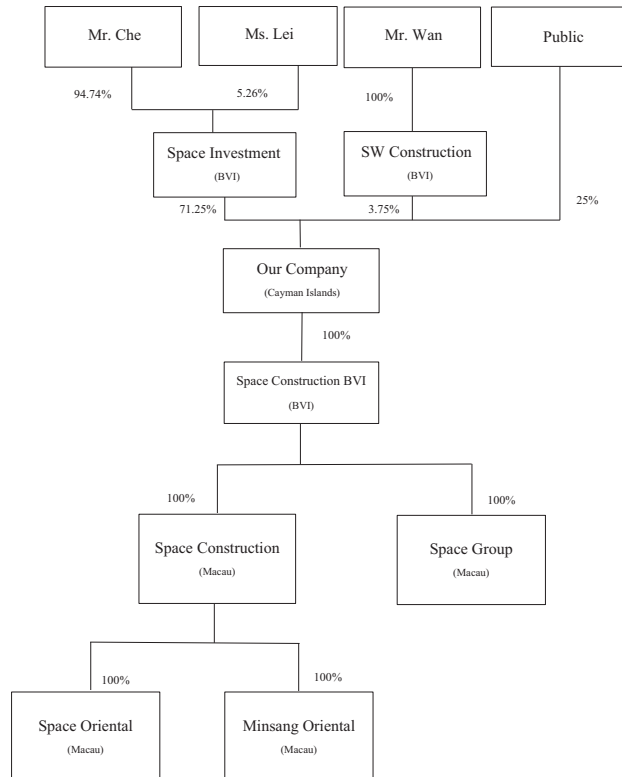
- (a) On 20 December 2017, our Company acquired all the issued shares of Space Construction BVI from Space Investment and SW Construction. The consideration for the acquisition was satisfied by the allotment and issue of 95 Shares and five Shares by our Company, credited as fully paid, to Space Investment and SW Construction, respectively.
- (b) Set out below is the structure of our Group immediately following completion of step 3 of the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Step 4: Capitalisation Issue and Share Offer after completion of the Reorganisation

- (a) On 20 December 2017, our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares.
- (b) An amount of HK\$5,699,998 standing to the credit of the share premium account of our Company was capitalised and applied in paying up in full at par a total of 569,999,800 Shares in our Company, which allotted and issued to Space Investment and SW Construction on a pro rata basis. After such capitalisation issue, the respective shareholdings of our Company remained unchanged.
- (c) Assuming the Share Offer becomes unconditional, the over-allotment option is not exercised and taking no account of any Share which may be issued under the Share Option Scheme of our Company, our Company will offer certain new Shares, representing 25% of the enlarged issued share capital of our Company for subscription by the public and professional, institutional and other investors.
- (d) Set out below is the structure of our Group immediately following completion of step 4 of the Reorganisation:



BUSINESS

OVERVIEW

We are a Macau-based contractor providing (i) Fitting-out Works; and (ii) building construction works in Macau. We have been operating our fitting-out business in Macau since 2007 and began to provide building construction works in 2015.

We undertake fitting-out projects as a fitting-out contractor, primarily for projects in the private sector, including hotels and casinos, restaurants and retail shops, and other properties. Our fitting-out projects include providing the first fit-out of a newly constructed property or re-fitting an existing property. In a typical fitting-out project, the scope of our Fitting-out Works includes shop drawing, procurement of materials, execution of Fitting-out Works, site supervision, management of subcontractors, and overall project management. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we completed one, ten, two and nil fitting-out projects, respectively. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, approximately 86.4%, 74.6%, 35.7% and 28.4% of our revenue were derived from our hotels and casinos customers. Since our inception, we had served five out of six licensed casino gaming operators in Macau.

Leveraging on our experience in fitting-out projects, we diversified our business by first offering building construction services in Macau in 2015. During the Track Record Period, we undertook our first building construction project as main contractor in Macau, which was a sizeable project with a contract sum of approximately MOP473.7 million. Substantially all revenue generated from our building construction segment during the Track Record Period was contributed by such project. Other than such sizeable building construction project, during the Track Record Period, we had undertaken another building construction project of smaller scale with a contract sum of approximately MOP0.2 million in 2017. Our scope of works in the building construction projects includes structural works, metal cladding, painting, plastering works, electrical and mechanical installation works and Fitting-out Works. As at the Latest Practicable Date, the first building construction project we undertook in 2015 was still in progress and has not yet completed. Based on our Directors' best estimate, the completion date of such project is expected to be in the fourth quarter of 2017. The building construction project we undertook in 2017 had been completed in May 2017.

In order to better control the quality and schedule of our works, we generally employ our own workers to handle the more complicated parts of the projects, and engage subcontractors for certain labour intensive works, by entering into separate contracts with them. As at the Latest Practicable Date, we had approximately 327 direct labour in Macau. Depending on the terms of the contracts with the subcontractors, we may be responsible for the procurement of materials for our projects, while in other cases, our subcontractors may be responsible for purchasing all such materials. As at the Latest Practicable Date, we had approximately 91 subcontractors on our approved list, of which 60 subcontractors have had three years or above working relationship with us.

We secure our fitting-out projects and building construction projects either through a competitive tender process or quotation invitation. After contracts are awarded, we usually set up a detailed works programme for quality implementation of our projects. Our

BUSINESS

customers may pay us advance payments upon contract execution depending on the terms of the relevant contract. We are generally required to provide performance bonds to secure our due and timely performance, and we normally receive progress payments from our customers on a monthly basis, according to the value of the works done.

Our customers may generally retain 5% of the total contract sum as retention money. Generally, the first half of the retention money will be released upon the issuance of certificate of practical completion of the project and the second half will be released upon the issuance of certificate of completion of making good defects after the expiry of the defect liability period of approximately 12 months.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our revenue was approximately MOP129.8 million, MOP400.6 million, MOP463.3 million and MOP240.7 million, respectively. The following table sets forth a breakdown of our revenue by business segments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June	
	2014	2015		2016		2017		
	<i>(MOP'000)</i>	%	<i>(MOP'000)</i>	%	<i>(MOP'000)</i>	%	<i>(MOP'000)</i>	%
Fitting-out Works	129,809	100.0	329,564	82.3	184,755	39.9	120,978	50.3
Building construction works <i>(Note)</i>	—	—	71,034	17.7	278,554	60.1	119,755	49.7
Total	129,809	100.0	400,598	100.0	463,309	100.0	240,733	100.0

Note: Our revenue from the building construction works for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 included revenue derived from the provision of certain Fitting-out Works in the amount of approximately MOP6.3 million, MOP142.9 million and MOP65.8 million, respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our historical success and potential for future growth:

Established position and proven track record in fitting-out projects

We commenced our fitting-out business in 2007 and has therefore accumulated around ten years' experience in the fitting-out industry in Macau. According to Frost & Sullivan Report, our Group ranked as the second largest fitting-out contractor in terms of estimated revenue derived from Fitting-out Works in Macau in 2016. During the Track Record Period, we completed a total of 13 fitting-out projects with aggregate recognised revenue of approximately MOP365.4 million. We have a proven track record of completing our projects on time and to the satisfaction of our customers, some of whom are reputable hotel and casino owners. We believe that our professional and quality services have been well recognised in the fitting-out industry in Macau. Therefore, we believe that our established

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position, reputation and proven track record of undertaking sizeable projects would enable us to successfully compete with our competitors, where tender and quotation invitations and contract awards are often based on past performance, industry reputation and reliability.

Established relationships with some of our major customers

We have established and maintained stable working relationships with most of our major customers. In particular, we have been providing Fitting-out Works to reputable hotel and casino owners in Macau since 2009. We have been awarded a total of 10 fitting-out projects for hotel and casino owners during the Track Record Period and up to the Latest Practicable Date. Since our inception, we had served five out of six licensed casino gaming operators in Macau. We believe that with our professional and quality services, we have been, and will continue to be, able to secure further contracts from our customers, which has not only solidified our market share in the fitting-out industry in Macau in past years but also positioned us well to obtain fitting-out projects in the coming years.

One of the leading domestic fitting-out contractors based in Macau

We have been operating in the fitting-out industry in Macau for around ten years. The fitting-out industry in Macau is highly competitive with both Macau and non-Macau based contractors. According to Frost & Sullivan Report, there were about 200 fitting-out contractors in Macau in 2016. Our Directors believe that we are a well-established Macau-based contractor. Our competitors which are not based in Macau will generally need to engage local subcontractors in Macau separately to manage the projects and carry out the works after an award of contract. We, however, have a strong team of local staff members and workers equipped with industry knowledge and experience in Macau and at a relatively lower labour cost. Our extensive domestic network therefore enables us to structure and deliver our works to service our customers in an efficient and cost-effective manner, hence enhancing our market penetration. As a Macau-based contractor, this also allow us to respond quickly to the changing local market conditions and therefore differentiate ourselves from our competitors. Our Directors are further of the view that synergy can be generated in this way as overall project management cost is reduced and hence enabling us to offer a more competitive pricing to our customers.

Experienced and efficient management team

Our executive Directors, senior management team, and project management team have extensive industry knowledge, project management experience and industry expertise in the fitting-out business, as well as the building construction business. Mr. Che, our executive Director, has over ten years of experience in the fitting-out industry. For the background of our Directors and of our senior management, please refer to the section headed “Directors and Senior Management” in this prospectus. Our Directors believe that the expertise, experience and industry knowledge of our senior management team, together with the key project management personnel, are essential to us in securing new business, as well as ensuring efficient and timely implementation and supervision of our works.

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Commitment to safety, quality and environment through well-established management systems

In addition to our ability of delivering quality projects on a timely manner, we believe that our business also depends on our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. In this regard, we have established a safety management system, a quality management system and an environmental management system. Through the systematic and effective control of our operations, compliance with safety, quality and environmental requirements can be further assured. We have been accredited with ISO 9001:2015, ISO 14001:2015 and OHSAS18001:2007 certifications since 2014. We believe that such certifications enhance our public image and credibility and also help us to improve our customers' confidence in our services.

BUSINESS STRATEGIES

We aim to further strengthen our market position in the fitting-out industry and building construction industry in Macau by pursuing the following strategies:

Further strengthen our market position in the building construction industry in Macau

We plan to further strengthen our market position in the building construction industry in Macau. We undertook our first building construction project as main contractor in Macau in 2015, which was a sizeable project with a contract sum of approximately MOP473.7 million. Other than such sizeable building construction project, during the Track Record Period, we had undertaken another building construction project of smaller scale with a contract sum of approximately MOP0.2 million in 2017. According to Frost & Sullivan Report, the demand for building construction works is expected to continue to grow at a CAGR of approximately 18.5% from 2016 to 2021, due to completion of the Hong Kong-Zhuhai-Macau Bridge and the efforts of the Macau Government in promoting Macau as the world center of tourism. The continuous expansion of the Macau tourism industry is expected to increase the number of construction projects in Macau. We believe that we will be able to capitalise the market opportunity by leveraging our proven track record and experience and expertise in building construction works in Macau. Moreover, having considered that building construction projects may consist of Fitting-out Works, we believe that our established position in the fitting-out industry in Macau, particularly our proven track record of providing services to casino resort owners, would add creditability to and strengthen customers' confidence in us, thereby enhancing our competitiveness in securing building construction projects.

During the Track Record Period, we did not own any construction machineries and equipment. In order to cope with our expansion plan, our Directors consider that investment in our own construction machineries and equipment, such as cranes and pump trucks, would allow us to enjoy more flexibility and increase our operational capacity in accordance with our needs. In addition, in order to enable us to undertake building construction works of different scales and complexities, additional manpower is required for project management and execution. As at the Latest Practicable Date, we had two ongoing building construction projects. These projects are expected to contribute approximately MOP18.6 million to our revenue in aggregate after the Track Record Period. As at the Latest Practicable Date, we

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had (i) one building construction project which is yet to commence with contract sum of approximately MOP86.3 million; and (ii) five building construction projects of which we had yet to receive results after submitting the tenders or quotations with an aggregate expected contract sum of approximately MOP422.7 million and expected project period ranging from 4 to 22 months. The five projects included two hotels and casinos projects and one project that involves demolition and construction of retail shops in the private sector and two projects in the public sector. In light of the expected growing demand of the building construction industry in Macau, we plan to actively pursue more sizeable building construction projects in Macau by participating in more tender or quotation invitations that we received. To implement the above strategies, we plan to use approximately 67.6% of the net proceeds from the Share Offer on our planned purchase of construction machineries and equipment, recruitment of more labour and payment of start-up costs for new projects. To the extent that the net proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. Please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus for further details.

Solidify our market position in the fitting-out industry in Macau

We commenced our fitting-out business in Macau in 2007. During the Track Record Period, we completed 13 fitting-out projects in Macau with aggregate recognised revenue of approximately MOP365.4 million. According to Frost & Sullivan Report, with the completion of the Hong Kong-Zhuhai-Macau Bridge and the implementation of the Macau Government’s policy in promoting Macau as the world center of tourism, it is expected that market demand for fitting-out works for new buildings, upgrading of facilities and renovation works will increase. Driven by these factors, revenue of the fitting-out industry in Macau is expected to rise to approximately MOP32,000.5 million in 2021, growing at a CAGR of approximately 12.8%. Given our proven track record, local knowledge and good reputation, we plan to increase our market share in the fitting-out industry in Macau by focusing on large-size and high-end fitting-out projects. We believe our experiences would enable us to capitalise the market demand. We believe that our proven track record and long working relationships with major casinos and hotel owners in Macau position us well for bidding sizeable projects in Macau for the coming years.

Leveraging on our established position and proven track record in fitting-out industry in Macau, we are able to maintain a continuing flow of projects. We completed 18 fitting-out projects during the Track Record Period and up to the Latest Practicable Date and had ten ongoing fitting-out projects as at the Latest Practicable Date, in which these ongoing projects are expected to contribute approximately MOP206.8 million to our revenue in aggregate after the Track Record Period. As at the Latest Practicable Date, we had 15 fitting-out projects of which we had yet to receive results after submitting the tenders or quotations with an aggregate expected contract sum of approximately MOP467.9 million. We generally receive tender or quotation invitations from our existing or potential customers from time to time. Notwithstanding our ability to maintain the continuing flow of projects, given the current level of financial resources available to our Group, we are limited in the number and size of the projects that could be taken up by us at the same time. As such, we may have to decline certain tender or quotation invitations due to financial constraints.

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During the Track Record Period, we had received 90 tender or quotation invitations for fitting-out projects, of which we had declined nine tender or quotation invitations. In order to allow our Group to actively pursue more new projects and/or projects with larger scale in terms of contract sum, we intend to use approximately 24.4% of the net proceeds from the Share Offer to finance our fitting-out projects in Macau. These include payment of start-up costs for new projects such as provision of performance bonds and prepayment of material costs and subcontracting fees. To the extent that the net proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. Please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus for further details.

SCOPE OF OUR SERVICES

Fitting-out projects

We provide Fitting-out Works for commercial and residential properties in the private sector in Macau, which primarily include hotels and casinos, restaurants and retail shops, and other properties such as offices and apartments. Our fitting-out projects include providing the first fit-out of a newly constructed property or re-fitting an existing property. Types of Fitting-out Works of a typical fitting-out project undertaken by us normally include (i) general fitting-out works in respect of the interior spaces of a premise; and (ii) alteration and addition works which mainly involve constructing a new extension to an existing building, combining two or more units into one or converting an existing building. The scope of our works may differ depending on the types of properties involved.

As a fitting-out contractor, we are responsible for overall day-to-day management and implementation of projects awarded to us, which include supplying or procuring the supply of materials; monitoring the works to ensure adherence with the contract specification and customer’s requirements; and liaising with various professional parties to ensure the project is on schedule. Depending on the nature of the Fitting-out Works, we generally employ our own workers to work on more complicated parts of the project, such as decorative and finishing works, and delegate certain labour intensive works such as plastering works, painting work, and carpentry and joinery works, to our subcontractors by entering into separate contracts with them.

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During the Track Record Period, we have completed 13 fitting-out projects, which can be broadly divided into three categories by type of project owners, namely (i) hotels and casinos; (ii) restaurants and retail shops; and (iii) other properties. The following table sets forth a breakdown of our revenue attributable to our fitting-out projects by type of project owners during the Track Record Period:

	2014		Year ended 31 December				Six months ended 30 June	
	MOP'000	%	2015		2016		2017	
			MOP'000	%	MOP'000	%	MOP'000	%
Hotels and casinos	112,237	86.4	298,854	90.7	165,215	89.4	68,296	56.5
Restaurants and retail shops	17,510	13.5	29,935	9.1	19,540	10.6	2,087	1.7
Other properties	62	0.1	775	0.2	0.0	0.0	50,595	41.8
Total	129,809	100.0	329,564	100.0	184,755	100.0	120,978	100.0

Hotels and casinos

Our Fitting-out Works for hotels and casinos primarily refer to interior decorative works for guest rooms, entrance lobby, lift lobbies, corridor, other common areas, as well as functional places such as junkets and casinos. Depending on the requirements of our customers, our Fitting-out Works may also include procurement of furniture and other decorative materials to be placed in such areas.

Restaurants and retail shops

Our Fitting-out Works for restaurants and retail shops primarily refer to interior decorative works for restaurants and retail shops.

Other properties

Fitting-out Works for other properties primarily refer to interior decorative works for premises such as offices and apartments, depending on our customers' request.

Building construction projects

We conduct our building construction business in Macau through one of our subsidiaries, Space Construction, a registered construction company with the DSSOPT. We undertook our first building construction project as main contractor in Macau in 2015, which was a sizeable project with a contract sum of approximately MOP473.7 million. Substantially all revenue generated from our building construction segment during the Track Record Period was contributed by such project. Other than such sizeable building construction project, during the Track Record Period, we had undertaken another building construction project of smaller scale with a contract sum of approximately MOP0.2 million in 2017. The building construction works undertaken by us primarily consist of structural works, metal cladding, painting, plastering works, electrical and mechanical installation works, and Fitting-out Works.

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As a main contractor, we are responsible for overall management and implementation of projects awarded to us, which include (i) structural calculation and drawings; (ii) supplying or procuring the supply of materials; (iii) monitoring the works to ensure adherence with the contract specification and customer's requirements; (iv) managing work progress and performance of subcontractors; and (v) liaising with various professional parties to ensure the project is on schedule.

We generally subcontract certain types of works, such as structural works, plastering works, electrical and mechanical installation works and fire services installation works, to subcontractors by entering into separate contracts with them. As at the Latest Practicable Date, the first building construction project was still in progress and has not yet completed. Based on our Directors' best estimate, the completion date of such project is expected to be in the fourth quarter of 2017. The building construction project we undertook in 2017 had been completed in May 2017.

OUR PROJECT PORTFOLIO

Projects completed

Fitting-out projects

During the Track Record Period, we completed a total of 13 fitting-out projects. Subsequent to the Track Record Period and up to the Latest Practicable Date, we completed five additional fitting-out projects. The following table sets forth a breakdown of our fitting-out projects completed by type of project owners during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December				Subsequent to the Track Record Period Six months ended 30 June 2017	and up to the Latest Practicable Date
	2014	2015	2016	2017		
<i>Hotels and casinos</i>	0	5	2	0		1
<i>Restaurants and retail shops</i>	0	2	0	0		2
<i>Other properties (Note)</i>	1	3	0	0		2
Total	1	10	2	0		5

Note: Other properties include premises such as offices and apartments.

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During the Track Record Period, our projects were awarded either by way of tenders or quotation invitations. In order to expand the business scale of our Group, we began to pursue new project opportunities by tendering for sizeable projects, which resulted in the increase in the number of sizeable projects awarded to us in 2014, which generally had a relatively longer expected project period. As such, the increase in the number of fitting-out projects completed in 2015 was partly attributable to the completion of the five fitting-out projects awarded in 2014. The increase in revenue from our fitting-out projects during the same period was primarily due to the increase in the number of sizeable projects undertaken by us and the increase in the average contract sum of the fitting-out projects awarded to us.

The following table sets forth details of our key fitting-out projects completed during the Track Record Period:

Project	Category	Capacity of the party engaging us (Note 1)	Project period (months)	Contract sum (‘000) (Note 2)	Revenue recognised during the Track Record Period			Six months ended 30 June 2017
					Year ended 31 December 2014	2015	2016	
1 Waterproofing and Marble works at hotel tower a casino resort located in Cotai, Macau	Hotel and casino	Main contractor	26	HK\$56,431 (equivalent to approximately MOP58,124) (Note 3)	–	48,274	27,946	–
2 Podium ground level in a casino resort located in Cotai, Macau	Hotels and casinos	Main contractor	30	HK\$90,889 (equivalent to approximately MOP93,616) (Note 3)	64,332	81,742	31,874	–
3 Guest rooms of a casino resort located in Cotai, Macau	Hotels and casinos	Main contractor	9	MOP2,803 (Note 4)	–	1,922	–	–
4 A magic-themed entertainment arena in a casino resort located in Cotai, Macau	Hotels and casinos	Project owner	9	HK\$25,574 (equivalent to approximately MOP26,341) (Note 4)	–	20,175	–	–
5 A cartoon-themed entertainment theatre in a casino resort located in Cotai, Macau	Hotels and casinos	Project owner	9	HK\$10,900 (equivalent to approximately MOP11,227) (Note 3)	–	22,570	–	–
6 Hotel rooms of a hotel located in Macau Peninsula, Macau	Hotels and casinos	Project owner	12	MOP8,080 (Note 3)	3,396	4,816	–	479
7 Hotel common areas and lobby of a hotel located in Macau Peninsula, Macau	Hotels and casinos	Project owner	12	MOP12,797 (Note 3)	7,077	5,720	–	556

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Project	Category	Capacity of the party engaging us (Note 1)	Project period (months)	Contract sum (‘000) (Note 2)	Revenue recognised during the Track Record Period			Six months ended 30 June 2017
					Year ended 31 December 2014	2015	2016	
8 An all day dining restaurant in a casino resort located in Cotai, Macau	Restaurants and retail shops	Main contractor	15	HK\$23,316 (equivalent to approximately MOP24,015) (Note 4)	–	22,866	–	–
9 A Chinese restaurant in casino resort located in Cotai, Macau	Restaurants and retail shops	Project owner	6	HK\$29,600 (equivalent to approximately MOP30,488) (Note 4)	17,510	3,379	–	–
10 An office located in Macau Peninsula, Macau	Other properties	Project owner	1	HK\$741 (equivalent to approximately MOP763)	–	763	–	–
11 A residential villa located in Macau Peninsula, Macau	Other properties	Project owner	1	MOP62	62	–	–	–
12 An apartment located in Macau Peninsula, Macau	Other properties	Project owner	1	MOP12	–	12	–	–
13 Four offices and a meeting room in a casino resort located in Cotai, Macau	Other properties	Main Contractor	3	HK\$469 (equivalent to approximately MOP483)	483	–	–	–

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The following table sets forth details of our fitting-out projects completed subsequent to the Track Record Period and up to the Latest Practicable Date:

Project	Category	Capacity of the party engaging us (Note 1)	Project period (months)	Contract sum (‘000) (Note 2)	Revenue recognised during the Track Record Period				Revenue expected to be recognised after the Track Record Period	
					Year ended 31 December		Six months ended 30 June			
					2014	2015	2016	2017		
					<i>MOP (‘000)</i>					
1	A merchandised shop and ticketing office in a casino located in Cotai, Macau	Hotels and casinos	Project owner	20	MOP13,488 (Note 4)	–	–	12,311	402	–
2	A French restaurant in a casino located in Cotai, Macau	Restaurants and retail shops	Project owner	24	MOP12,689 (Note 3)	–	2,237	7,984	550	7,023
3	A French restaurant in a casino located in Cotai, Macau	Restaurants and retail shops	Project owner	22	MOP18,262 (Note 4)	–	1,453	11,555	1,537	–
4	A residential villa located in Macau Peninsula, Macau	Other properties	Project owner	3	MOP2,423	–	–	–	1,677	746
5	Podium carpark of an apartment building located in Cotai, Macau	Other properties	Project owner	3	MOP1,695	–	–	–	619	1,076

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Building construction projects

In 2015, we undertook our first building construction project as main contractor in Macau, which was a sizeable project with a contract sum of approximately MOP473.7 million. Such building construction project was still in progress and has not yet completed as at the Latest Practicable Date. Other than such sizeable building construction project, during the Track Record Period, we had undertaken another building construction project of smaller scale with a contract sum of approximately MOP0.2 million in 2017, which had been completed in May 2017. The following table sets forth details of such completed project:

Project	Category	Capacity of the party engaging us (Note 1)	Project period (months)	Contract sum (‘000) (Note 2)	Revenue recognised during the Track Record Period			
					Year ended 31 December			Six months ended 30 June
					2014	2015	2016	2017
					MOP’000			
1 A residential villa located in Macau Peninsula, Macau	Other properties	Project owner	2	MOP198	-	-	-	198

Notes:

1. We may be directly engaged by the project owners or their main contractors to execute the Fitting-out Works or building construction works under the contract.
2. The contract sum is based on the initial contract entered into or quotation agreed upon between our Group and our customers and may not include subsequent variation orders placed by our customer. Therefore, final revenue recognised from a contract may differ from the contract sum.
3. The contract sum is lower than the amount of revenue recognised due to the subsequent variation orders placed by our customer, or the actual amount of work done under the contract is higher than initially envisaged under the contract.
4. The contract sum is greater than the amount of accumulated revenue recognised during the Track Record Period as the actual amount of work done under the contract is lower than initially envisaged under the contract.

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Projects on hand

As at the Latest Practicable Date, we had 12 ongoing projects (i.e. projects that have commenced but not yet completed), comprising ten fitting-out projects and two building construction projects, with an aggregate contract sum of approximately MOP891.3 million, among which contract sum of approximately MOP677.0 million (which had not included revenue generated from variation orders placed by our customers), representing approximately 76.0% of the total contract sum of our ongoing projects, had been recognised as our revenue during the Track Record Period. The following table sets forth details of such projects as at the Latest Practicable Date:

Project	Category	Capacity of the party engaging us (Note 1)	Contract sum (‘000) (Note 2)	Actual Commencement Date	Estimated completion date	Aggregate revenue recognised during the Track Record Period MOP’000	Revenue to be recognised after the Track Record Period MOP’000	
Fitting-out projects								
1	Carpark and basement in a casino resort located in Cotai, Macau	Hotels and casinos	Main contractor	HK\$126,626 (equivalent to approximately MOP130,425) (Notes 3 and 4)	April 2014	December 2017	270,478	10,344
2	Guest rooms of a casino resort located in Cotai, Macau	Hotels and casinos	Main contractor	MOP152,463	June 2017	January 2018	32,100	120,363
3	Hotel rooms of a casino resort located in Cotai, Macau	Hotels and casinos	Main contractor	MOP52,000	July 2017	January 2018	7,950 (Note 6)	44,050
4	A jewelry and watch shop in a casino resort located in Cotai, Macau	Restaurants and retail shops	Main Contractor	MOP1,100	September 2017	December 2017	–	1,100
5	A jewelry shop in a casino resort located in Cotai, Macau	Restaurants and retail shops	Project owner	MOP240	September 2017	December 2017	–	240
6	An apartment located in Cotai, Macau	Other properties	Project owner	MOP30,171	April 2017	December 2017	27,466	2,705
7	An apartment located in Cotai, Macau	Other properties	Project owner	MOP35,383	June 2017	December 2017	18,067 (Note 5)	17,316
8	An apartment located in Cotai, Macau	Other properties	Project owner	MOP4,218	June 2017	December 2017	1,024	3,194
9	A Chinese temple located in Macau Peninsula, Macau	Other properties	Project owner	MOP3,428	July 2017	December 2017	1,742	1,686

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Project	Category	Capacity of the party engaging us (Note 1)	Contract sum (‘000) (Note 2)	Actual Commencement Date	Estimated completion date	Aggregate revenue recognised during the Track Record Period MOP’000	Revenue to be recognised after the Track Record Period MOP’000	
10	A duplex unit located in Macau Peninsula	Other properties	Project owner	MOP5,800	September 2017	March 2018	–	5,800
Building construction projects								
11	A 43 storey residential-commercial complex located in Macau Peninsula, Macau	Residential and commercial	Project owner	MOP473,737 (Note 3)	May 2015	December 2017	469,145	18,828
12	A yacht club located in Macau Peninsula, Macau	Other properties	Project owner	MOP2,378	May 2017	December 2017	–	2,378
Total			<u>MOP891,343</u>			<u>827,972</u>	<u>228,004</u>	

Notes:

- We may be directly engaged by the project owners or their main contractors to execute the Fitting-out Works or building construction works under the contract.
- The contract sum is based on the initial contract entered into or quotation agreed upon between our Group and our customers and may not include subsequent variation orders placed by our customer. Therefore, final revenue recognised from a contract may differ from the contract sum.
- The contract sum is lower than the amount of revenue recognised due to the subsequent variation orders placed by our customer, or the actual amount of work done under the contract is higher than initially envisaged under the contract.
- The aggregate revenue recognised during the Track Record Period exceeded the contract sum due to the subsequent variation orders placed by our customer. These included (i) variation orders related to additional works performed, reductions and/or modifications made due to the change in design or project specifications or change in requirement requested by project owner; and (ii) variation orders related to increase in the volume of works requested by our customer. The rate for the works done under the variation orders shall accord with the schedule of rates as provided in the relevant contract. We apply for progress payments of such variation orders during the course of the project. Such variation orders will be accounted for in the monthly payment application we made to our customer, based on the quantity of works completed in the preceding month for such variation orders.
- During the Track Record Period, our Group has performed certain preparation works for the project such as design works and purchase of furniture.
- During the Track Record Period, our Group has performed certain preparation works for the project such as design works, purchase of materials and furniture.

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As at the Latest Practicable Date, we have one building construction project which is yet to commence, with a contract sum of approximately MOP86.3 million. The following table sets forth details of such project as at the Latest Practicable Date:

Project	Category	Capacity of the party engaging us <i>(Note 1)</i>	Contract sum <i>(Note 2)</i>	Estimated commencement Date	Estimated completion date
Building construction project					
1	Residential mansions located in Macau Peninsula, Macau	Residential	Project owner	MOP86,260 December 2017	March 2020

Notes:

1. We may be directly engaged by the project owners or their main contractors to execute the Fitting-out Works or building construction works under the contract.
2. The contract sum is based on the initial contract entered into or quotation agreed upon between our Group and our customers and may not include subsequent variation orders placed by our customer. Therefore, final revenue recognised from a contract may differ from the contract sum.

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OPERATION PROCEDURES

Our projects

We have developed a comprehensive project management system in respect of our business operations. There is no material difference in our business operations between our fitting-out projects and our building construction projects. For illustrative purposes, the following chart sets forth our operating flow which generally applies to both our fitting-out projects and building construction projects that we have undertaken.

Phase	Major steps involved	Duration of our fitting-out projects (approximate) <i>(Note 1)</i>	Duration of our building construction project <i>(Note 2)</i>
Identification of projects	<ul style="list-style-type: none"> • Customers approach us with potential business opportunities through working relationships or referrals 	From time to time	From time to time
Tender/quotation process	<ul style="list-style-type: none"> • Preparation for tender pre-qualification (where appropriate) • Tender/quotation invitation • Project assessment and preparation • Tender/quotation submission • Receipt of contract award 	4 to 9 weeks	1 to 11 months
Project implementation	<ul style="list-style-type: none"> • Formation of project management team • Engineering design/technical submission • Preparation of a works programme • Materials procurement • Subcontracting • Taking out performance bond • Progress payment 	1 to 30 months	25 to 30 months
Project completion	<ul style="list-style-type: none"> • Practical completion and handover • Defect liability period • Preparation of final accounts and final settlement 	12 to 24 months	12 months

Notes:

1. The actual duration of our fitting-out projects may vary significantly depending on, among other things, nature of work, scale and complexity of the project.
2. Duration of building construction project was based on the first building construction project we undertook in 2015.

Identification of projects

As a common market practice, we generally secure projects either through a competitive tendering or quotation processes. Potential customers approach us with new business opportunities through previous working relationships or referrals from other customers or main contractors. For projects that are awarded through tender, our customers may invite us to pre-qualify for the tender process.

Tender/quotation process

(i) Pre-qualification

Depending on the requirements of our customers, we may be required to submit a pre-qualification. Potential customers generally have a set of standards to assess whether a fitting-out contractor is eligible to tender for a particular project. They will provide us with brief information of a potential project such as project nature, size, commencement date and the specific pre-qualification standards. We will also generally express our interests to tender for the projects and provide information on our organisational structure, financial status and previous track record in similar projects. The pre-qualification screening generally takes three days to two weeks.

(ii) Tender/quotation invitation

Upon passing the pre-qualification process (if required), we may receive tender invitation and the relevant tender documents from our customers. The tender documents generally include tender conditions, submission criteria, work specifications, schedule of rates and drawings.

For quotation invitations from our customers, our customers will normally provide us with the relevant quotation documents for preparing our quotation. The quotation documents generally include project background, submission criteria, work specifications, schedule of rates and drawings.

(iii) Project assessment and preparation

On receipt of a tender or quotation invitation, we will evaluate and perform assessment of the tender or quotation documents to identify the scope and complexity of work, project specification, costs and profitability, achievability of specified timetable, resources availability and expertise, in order to ascertain whether to make a recommendation to pursue the project. Project assessment is an expedient process where we have to determine the feasibility of a particular project in a short period of time before devoting substantive resources in preparing a detailed project proposal.

Project preparation is a comprehensive procedure which mainly involve costing and pricing analysis, competitor analysis, technical analysis, cash flow analysis and risk assessment, etc. Our project management department will make proposal as to the composition of key team members for each project, which generally comprises project manager, site manager, quantity surveyor, and safety officer. Our procurement department will also obtain quotations from our subcontractors and suppliers of materials so as to make a more precise cost estimation.

The time allowed to prepare the project proposal varies from case to case, and depending on specific project requirements. Generally, it takes about three days to two weeks for our fitting-out projects from receipt of the tender or quotation documents to submission of the project proposal. Additional time is usually allowed if there is any tender addendum or pre-tender interview.

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(iv) *Pricing model*

We adopt a cost estimate plus mark-up pricing model for pricing a project. We determine the price of a tender or quotation based on various factors such as quotations of our suppliers and subcontractors, materials price trend, wage trend, our previous tender or quotation records and the awarded price of similar projects. Most of our contracts are awarded on a fixed-price basis with a pre-determined timetable for project completion where it generally commits us to provide all the resources required to complete a project for a fixed sum. We therefore prepare our bids on this basis.

(v) *Award of contracts*

Depending on the requirements of our customers, they may generally shortlist potential candidates for interviews after tender or quotation submission. If required, we will conduct a presentation to demonstrate to our potential customer that we have the sufficient financial and technical resources to undertake the project. We may also respond to any queries they may have on our submitted tender or quotation, suggest alternative fitting-out solutions and negotiate on the price and/or other contract terms during the interview.

After the interview (if required), award of contract is generally confirmed by way of a letter of acceptance. A project owner will either enter into a formal contract with us directly or assign the main contractor of the project to enter into such contract with us. The period from the receipt of the tender or quotation invitation to award of contract is generally about four weeks to nine weeks for our fitting-out projects and about one to 11 months for our building construction projects. Please refer to the paragraph headed “Our Customers” in this section.

(vi) *Success rate*

The following table sets forth the success rate in respect of acceptance of our tenders and quotations for fitting-out projects during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2014	2015	2016	2017
Number of projects tendered for / quotation provided ^(note 1)	45	14	14	8
Number of contracts awarded	11	4	4	5
Success rate ^(note 2)	24.4%	28.6%	28.6%	62.5%

Notes:

1. The number of projects tendered for/quotations provided for the year ended 31 December 2016 included one project and the six months ended 30 June 2017 included one project of which we had yet to receive results after submitting the tenders or quotations as at the Latest Practicable Date.

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2. Success rate is calculated as the number of contracts awarded up to the Latest Practicable Date in respect of the tenders submitted or quotation provided during a financial year/period, divided by the number of tenders submitted or quotation provided by us during the relevant financial year/period.

The following table sets forth the success rate in respect of our tenders and quotations for our building construction projects during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June 2017
	2014	2015	2016	
Number of projects tendered for/quotation provided <i>(note 1)</i>	7	4	3	5
Number of contracts awarded	1	1	1	0
Success rate <i>(note 2)</i>	14.3%	25.0%	33.3%	0%

Notes:

1. The number of projects tendered for/quotations provided for the six months ended 30 June 2017 included one project of which we had yet to receive results after submitting the tenders or quotations as at the Latest Practicable Date.
2. Success rate is calculated as the number of contracts awarded up to the Latest Practicable Date in respect of the tenders submitted or quotation provided during a financial year/period, divided by the number of tenders submitted or quotation provided by us during the relevant financial year/period.

Project implementation

With the award of contract, we will then proceed with project administration, which involve formation of a project management team, engineering design and technical submission, devising a detailed works programme, procurement of materials, engagement of subcontractors, and to take charge in the overall management of the projects.

(i) Formation of project management team

Depending on the scale and complexity of the project, we will assign a project management team led by our project manager. Our project management team normally comprised the following members:

- project manager: responsible for the overall day-to-day management and implementation of the project including overall planning of the project, work allocation, budgeting, communication with our customers, suppliers and subcontractors on project matters.
- quantity surveyor: conducts cost estimation, assessment of work progress and quantity of works completed, preparation of interim payment applications to customers and monitoring of settlement status.

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- site manager: responsible for site supervision and monitoring of work progress and quality including coordinating with our safety officers to implement our occupational health and safety management at site.
- safety officer: supervises implementation of site safety and environmental protection measures in accordance with statutory requirement, conducts site safety and environmental inspection, investigates any accidents at site, and evaluate our compliance of statutory compliance at site.
- project coordinator: responsible for communicating with other contractors at site.
- foreman: responsible for labour and raw materials coordination and allocation at site.
- site clerks: responsible for handling all clerical and administrative matters at site.

Our project management team is responsible for onsite supervision and overall coordination of the day-to-day operation of the project. It will also prepare and submit a detailed works programme setting out key milestone dates to our customers. Our project management team also reports to the executive Directors on project status and identifies issues requiring attention from time to time.

(ii) Engineering design and technical submission

Tender or quotation documents usually include customers' ideas which are usually in the form of architect's drawings together with specifications of materials, products and/or equipment to be used. We will transform these requirements into practicable work plan which include detail engineering drawings, detailed particulars of materials, products and/or equipment to be used in the project and submit the same for our customers' approval.

(iii) Works programme

A works programme will be prepared according to the contract requirements and the site activities in the works programme will be broken down into sufficient details such that individual task works can be monitored. The works programme will show the logic of the work sequence and incorporate the key milestone dates which will be closely monitored during project implementation stage.

We will then formulate the subletting schedule, the resource schedule, the method statement submission schedule, the design submission schedule and the material requirements or sample submission schedule based on the works programme. Such schedules are used to monitor work status and to ensure that the subletting work, the resources allocation, the submission works are prepared and proceeded in a timely manner. The works programme is reviewed and updated regularly during project implementation stage.

(iv) Procurement of materials

Please refer to the paragraph headed "Our Suppliers" in this section.

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(v) *Subcontracting*

Please refer to the paragraph headed “Our Subcontractors” in this section.

(vi) *Performance bonds*

During the Track Record Period, we have undertaken fitting-out projects as either a main contractor or subcontractor, primarily for project owners in the private sector. To secure due and timely performance, sometimes we may be required to provide performance bonds in favour of our customers depending on project size and nature, background of customers, our role in a project and requirements of project owner or main contractor (if applicable). During the Track Record Period, the contract sum of our projects that we were required to provide performance bonds was in the range of approximately MOP11.2 million to MOP473.7 million. Performance bonds are generally issued by a bank backed by cash collateral or our current banking facilities with the bank. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that no performance bond had been called by our customers by reason of late completion of any of our projects. The amount of performance bond required for a project undertaken by us generally would not exceed 10% of the total contract sum. Our performance bond normally expires upon issuance of the certificate of practical completion or upon the issue of certificate of completion of making good defects after the expiry of defect liability period.

(vii) *Advance payment bonds*

Our customers may pay us advance payment ranging from 15% to 25% of the contract sum upon contract execution depending on the terms of the relevant contract. We therefore may be required to provide advance payment bonds for equal amount as guarantee of repayment of such advance payment to our customers.

(viii) *Progress payment and retention money*

Pursuant to the relevant contract, we generally receive progress payments from customers on a monthly basis according to the value of works done. Our quantity surveyor usually prepare a payment application based on the quantity of works completed in the preceding month on a monthly basis. We will then submit such payment application to our customer, which will subsequently be certified by the authorised persons, such as architects or consulting quantity surveyors of our customers. An interim payment certificate will be issued by the authorised person certifying the amount payable with reference to the value of works done. Our customers will then make payments with reference to the interim payment certificate. In general, the interim payment certificate is issued within 30 days from the date of our payment application. We then present the interim payment certificate to our customers and our customers will make payment based on the certified amount less any retention money within 0 to 45 days from the date of the presentation of the interim payment certificate to our customers.

In most contracts with our customers, our customers have the right to hold up a retention money, generally about 10%, from each progress payment until a particular percentage of the total contract sum is reached. The retention money for each project is

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generally 5% of the total contract sum. Generally, the first half of the retention money will be released upon the issuance of certificate of practical completion of the project and the second half of will be released upon the issuance of certificate of completion of making good defects after the expiry of the defect liability period of approximately 12 months.

(ix) Variation orders

Our customers may, during the course of project execution, place variation orders pursuant to the relevant terms of the contract. Variation orders may include: (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; and (ii) changes to any sequence, method or timing of project works. We will discuss with our customers to mutually agree on the sum of variation orders which shall be added to or deducted from the contract sum mainly with respect to schedule of rates provided in the relevant contract. Upon receiving a variation order from our customers describing the detailed works to be carried out, we will make a cost estimation and may then obtain quotations from our suppliers and subcontractors and prepare and submit the proposed rate for our customers' approval. The principal contract terms and settlement of variation orders are generally in line with the terms of the main contract.

(x) Duration

The duration of the implementation of our projects can be affected by a number of factors including project scale, scope of works, technical complexity, availability of specified materials, expectation of customers and variation of works etc., which can vary widely. The expected completion time of a project is usually provided in the contract. During the Track Record Period, the usual duration for the implementation of our fitting-out projects varied from one month to 30 months and that for our building construction project is estimated to be about 25 to 30 months. In light of any circumstance which may lengthen the duration, we will discuss with our customers on the required time for completion of the project and adjust our previous quotation.

Project completion

(i) Practical completion

Our customers generally conduct inspection to ensure that our works are satisfactorily completed. A certificate of practical completion will then be issued by our customers, certifying that the project is substantially completed and is approved for handover. Generally, the first half of the retention money will be released to us upon issuance of such certificate and the performance bond (where applicable) may also be released.

(ii) Defect liability period

Our customers normally require a defect liability period, pursuant to which we are required to rectify any defects identified at our own cost. Defect liability period, in general, lasts for 12 months after issuance of the certificate of practical completion. To safeguard our interests, we generally require a similar defect liability period to be provided by our subcontractors.

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The certificate of making good defects will generally be issued to us at the end of the defect liability period. Generally, our customers will then release the remaining half of the retention money upon issuance of such certificate.

Our project management team conducts regular review on the defective works identified. During the Track Record Period, we have not experienced any material claim by our customers in respect of our projects.

SALES AND MARKETING

During the Track Record Period, our projects were awarded either by way of tenders or quotation invitations. Our Directors consider that our solid customer base, technical expertise, industry reputation, and our past project references are our strengths to secure future projects.

Our executive Directors and senior management are responsible for maintaining customers' relationship and keeping abreast of market developments and sourcing potential business opportunities. Our senior project managers are also responsible for the direct relationship maintenance with our customers. Our Directors consider that our existing sales and marketing efforts are sufficient to maintain relationships with existing customers and attract potential customers.

OUR CUSTOMERS

During the Track Record Period, our revenue was derived from our fitting-out projects and our building construction projects in private sector in Macau. For our fitting-out projects, our major customers included hotel and casino gaming operators and main contractors in Macau.

In line with market practice, generally projects are awarded to us on a project-by-project basis and are non-recurring in nature. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contract with any of our customers.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, sales to our largest customer accounted for approximately 78.4%, 60.8%, 60.1% and 49.7% of our total revenue, respectively.

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We set out below our major customers for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively:

For the year ended 31 December 2014:

	Customer <i>(Note)</i>	Background	Year in which our business relationship commenced	Revenue for the year (MOP'000)	Approximate % of our revenue	Services provided by our Group	Credit term (days)
1	Customer A (Leighton Contractors (Asia) Limited)	A subsidiary of a construction company listed in Australia. During the year, 3 projects on hand were awarded to us by customer A.	2013	101,765	78.4	Fitting-out works	45
2	Customer B	A Macau based fitting-out company. During the year, 1 project on hand was awarded to us by customer B.	2014	17,510	13.5	Fitting-out works	0
3	Customer C	A Macau based construction company. During the year, 2 projects on hand were awarded to us by customer C.	2014	10,472	8.0	Fitting-out works	30
4	Customer D (Mr. Cheang In Hou and Ms. Ng Cheng)	Two owners of a residential property, who are Mr. Che's, sister-in-law and her spouse. Mr Che is our executive Director and one of our Controlling Shareholders. During the year, 1 project on hand was awarded to us by customer D.	2014	62	0.1	Fitting-out works	0

Note: We provided services to four customers for the year ended 31 December 2014.

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For the year ended 31 December 2015:

	Customer	Background	Year in which our business relationship commenced	Revenue for the year (MOP'000)	Approximate % of our revenue	Services provided by our Group	Credit term (days)
1	Customer A (Leighton Contractors (Asia) Limited)	A subsidiary of a construction company listed in Australia. During the year, 3 projects on hand were awarded to us by customer A.	2013	243,651	60.8	Fitting-out works	45
2	Customer E (Richlink Group Limited)	A Hong Kong based property development company. During the year, 1 project on hand was awarded to us by customer E.	2014	71,034	17.7	Fitting-out works and building construction works	45
3	Customer F	A subsidiary of a hotel operator listed in the United States. During the year, 2 projects on hand were awarded to us by customer F.	2014	42,745	10.7	Fitting-out works	35
4	Customer G	Joint venture formed by the subsidiaries of two listed companies in Hong Kong engaging in construction works. During the year, 1 project on hand was awarded to us by customer G.	2014	24,788	6.2	Fitting-out works	30
5	Customer C	A Macau based construction company. During the year, 2 projects on hand were awarded to us by customer C.	2014	10,536	2.6	Fitting-out works	30

Our top five customers in aggregate

98.0%

All other customers

2.0%

100.0

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For the year ended 31 December 2016:

	Customer <i>(Note 1)</i>	Background	Year in which our business relationship commenced	Revenue for the year <i>(MOP'000)</i>	Approximate % of our revenue	Services provided by our Group	Credit term (days)
1	Customer E (Richlink Group Limited)	A Hong Kong based property development company. During the year, 1 project on hand was awarded to us by customer E.	2014	278,535	60.1	Fitting-out works and building construction works	45
2	Customer A (Leighton Contractors (Asia) Limited)	A subsidiary of a construction company listed in Australia. During the year, 3 projects on hand were awarded to us by customer A.	2013	152,905	33.0	Fitting-out works	45
3	Customer H	A subsidiary of a hotel operator listed in the United States and in Hong Kong. During the year, 3 projects on hand were awarded to us by customer H.	2011	31,850	6.9	Fitting-out works	35

Note: We provided services to three customers for the year ended 31 December 2016.

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For the six months ended 30 June 2017:

	Customer	Background	Year in which our business relationship commenced	Revenue for the period (MOP'000)	Approximate % of our revenue	Services provided by our Group	Credit term (days)
1	Customer E (Richlink Group Limited)	A Hong Kong based property development company. During the six months ended 30 June 2017, 1 project on hand was awarded to us by customer E.	2014	119,557	49.7	Fitting-out works and building construction works	45
2	Customer I	An owner of a residential property. During the six months ended 30 June 2017, 5 projects on hand were awarded to us by customer I.	2016	48,027	20.0	Fitting-out works and building construction works	45
3	Customer J	A Hong Kong based fitting-out company during the six months ended 30 June 2017, 2 project on hand was awarded to us by customer J.	2010	40,050	16.6	Fitting-out works	45
4	Customer A (Leighton Contractors (Asia) Limited)	A subsidiary of a construction company listed in Australia. During the six months 30 June 2017, 1 project on hand was awarded to us by customer A.	2013	26,809	11.1	Fitting-out works	45
5	Customer H	A subsidiary of a hotel operator listed in the United States and in Hong Kong. During the six months ended 30 June 2017, 3 projects on hand were awarded to us by customer H.	2011	2,489	1.0	Fitting-out works	35

Save and except for Customer D, all of our major customers during the Track Record Period were Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in our five largest customers during the Track Record Period.

Sustainability of our business in view of project/customer concentration during the Track Record Period

Our business is project-based. We undertook several sizeable projects during the Track Record Period where we deployed a substantial part of our resources. Therefore, customers of these sizeable projects would easily become our major customers because of their consistent and significant revenue contribution during the relevant period.

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The issue of concentration of a specific customer at any specific point of time is purely caused by (i) the project-based nature of our business; (ii) the existing limited size of our Group which limited the number of projects which could be taken up by us at the same time; and (iii) the strategic allocation of resources of the management. Our Directors consider that despite the project/customer concentration, our business model is sustainable due to the following factors:

- According to the Frost & Sullivan Report, the fitting-out market in Macau was highly competitive and a small number of customers may contribute to a substantial amount of revenue for the market;
- According to the Frost & Sullivan Report, the fitting-out industry in Macau is expected to maintain stable growth at a CAGR of approximately 12.8% from 2016 to 2021, reaching approximately MOP32,000.5 million in 2021;
- Our Group has established a stable and long term business relationship with certain of its major customers. Our Directors believe that we have developed an in-depth understanding of the requirements of such customers over the years with proven track record, which make our Group more competitive when tendering for projects from such customers;
- It is not uncommon for a single project, in particular those sizeable projects, to have a large contract sum such that one sizeable project can contribute to a substantial amount of our revenue during the relevant project period. Besides, a sizeable project can have a contract period lasting for several years. In the event that we decide to undertake a project with large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us for more than one financial year; and
- As at the Latest Practicable Date, we had 12 ongoing projects and one project which is yet to commence. These projects are expected to contribute approximately MOP311.6 million to our revenue in aggregate after the Track Record Period. The amount of revenue expected to be recognised is subject to change due to the actual work progress, the relevant commencement and completion dates of such projects.

Major contract terms

The terms of the contracts with our customers vary from project to project, and were generally in line with the market practice. There is no material differences in the major contract terms between our fitting-out projects and our building construction projects. Save as otherwise specified, the key contract terms specified below generally apply to our fitting-out and building construction projects. The major terms typically include the following:

- (i) **contract period:** The duration of time we are allowed to carry out the projects. We are required to follow the specified pre-determined work schedule. Such schedule may be extended from time to time pursuant to the terms of the contract.

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- (ii) **scope of work:** The type and scope of works we are required to provide.
- (iii) **payment terms:** The period which we submit interim payment applications, interim payment certificates are issued and payments are made based on the certificates. The credit terms for the settlement of payment by our customers vary from contract to contract. Depending on the terms of the contracts, the credit term generally ranges from 0 to 45 days from the date of the presentation of the interim payment certificate to our customers.
- (iv) **liquidated damages:** an agreed daily rate of liquidated damages payable by us if we fail to complete our works on schedule. The contract period may be extended from time to time pursuant to the terms of the contract.
- (v) **indemnity:** an indemnity in favour of our customers for, among others, liabilities in respect of personal injury or death or property damage may be stipulated.
- (vi) **retention money:** the portion of money that our customers generally hold up from each progress payment (typically 10% of each progress payment) until a particular percentage of the total contract sum is reached. Our customers generally retain 5% of the total contract sum as retention money. Generally, the first half of the retention money is released upon the issue of certificate of practical completion of the project and the second half of the retention money is released to us upon the issue of certificate of completion of making good defects after the expiry of the defect liability period.
- (vii) **performance bonds:** for some contracts, we are required to provide performance bonds in favour of our customers to secure our due and timely performance. Performance bonds are generally issued by a bank back by cash collateral or our current banking facilities. The amount of performance bond required for each project generally would not exceed 10% of the total contract sum. The performance bond normally expires or is released upon issuance of the certificate of practical completion or issue of certificate of completion of making good defects after the expiry of the defect liability period.
- (viii) **advance payment:** Some of our customers may pay us advance payment ranging from 15% to 25% of the contract sum upon the contract execution depending on the terms of the relevant contract. We therefore may be required to provide advance payment bonds for equal amount as guarantee of repayment of such advance payment to our customers.
- (ix) **insurance:** the type and amount of insurance coverage we are required to take out and maintain when we acted as main contractor for the building construction projects, including contractor's all risks insurance, compulsory industrial accident insurance and third party liabilities insurance, in order to comply with the applicable laws and regulations and the contract requirements. When we act as contractor for the fitting-out projects, we generally will not take out separate

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insurance policies as we rely on the insurance policies maintained by the main contractor of each project. Please refer to the paragraph headed “Insurance” in this section.

- (x) **defect liability period:** the period during which we are responsible to rectify any defects in our works, which is typically a period of 12 months after the issuance of the certificate of practical completion.

- (xi) **termination:** our customers usually have the right to terminate the contract if we commit material delay in delivery of our services or commit other material default or go into liquidation/insolvency. We may terminate the contract if our customers fail to pay us according to specified payment terms, go into liquidation/insolvency. Generally both of our customers and us have the right to terminate the contract if the works under the relevant project was suspended for more than a period of time as specified in the contract and not attributable to each party.

Credit terms with customers

During the Track Record Period, our revenue was generally denominated in HK\$ and MOP. Our customers generally settle the payments by cheque payments and bank remittance. In general our customers pay us within 0 to 45 days after presentation of the interim payment certificate to the customers. We may receive advance payment from our customers, based on the terms of the relevant contract. Our customers generally pay us progress payments on monthly basis according to the value of the works done and have the right to hold retention money. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our trade debtors turnover days were approximately 94, 47, 14 and 54 days, respectively.

Our quantity surveyor assesses the quantity of works completed and submits interim payment applications to our customers. Our customers perform inspection and issue the interim payment certificate or the certificate of practical completion accordingly in certifying the percentage of works done. We maintain a register of interim payment applications submitted and interim payment certificates issued by our customers on a timely basis. Our quantity surveyor monitors settlement status and follow up with our customers to seek settlement for outstanding balances overdue.

OUR SUPPLIERS

Our major suppliers include (i) suppliers of materials to be used in our fitting-out projects, such as painting materials, timber products, marble, metal hardware and sanitary ware etc.; and (ii) service providers for our leased machines and equipment.

During the Track Record Period, our subcontractors for the fitting-out projects were required to procure the required equipment and machineries to complete the works, the cost of which is normally included in their subcontracting fees. In respect of fitting-out projects that we did not engage subcontractors, we have leased machinery and equipment from service providers. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the amount of leasing cost incurred from the machinery and

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equipment service providers amounted to approximately MOP2.3 million, MOP3.7 million, MOP3.3 million and MOP62,000, respectively. During the Track Record Period, our subcontractors for our building construction projects were required to procure the required equipment and machineries to complete the works and we did not incur any machinery and equipment leasing cost.

We generally order materials on an order-by-order basis, which generally specify the type, quantity, price and delivery of the material that we purchased. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contract with our suppliers.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, purchases attributable to our five largest suppliers accounted for approximately 63.0%, 49.4%, 53.1% and 90.5% of our total purchase, respectively. For the same period, purchases attributable to our largest supplier accounted for approximately 36.5%, 13.0%, 29.6% and 85.9% of our total purchase, respectively.

We set out below our five largest suppliers for each of the years ended 31 December 2014, 2015 and 2016, and the six months ended 30 June 2017, respectively:

For the year ended 31 December 2014:

	Supplier	Background	Year in which our business relationship commenced	Purchase for the year (MOP'000)	Approximate % of our total purchases	Products supplied to our Group	Credit term (days)
1	Supplier A	A company in Malaysia manufacturing a wide range of lighter gauge rolled formed steel products and systems for the construction industry.	2014	10,672	36.5	Ceiling runner track	Nil
2	Supplier B	A company in Hong Kong engaging in the retail sale of paints and coatings and producer of specialty chemicals.	2013	2,185	7.5	Painting	30-60
3	Supplier C	A company in Hong Kong engaging in trading waterproof materials.	2013	2,176	7.4	Laticrete floor levelers	10
4	Supplier D	A company in Australia engaging in the retail sale of insulation products.	2014	2,106	7.2	Insulation boards	Nil
5	Supplier E	A company in Hong Kong engaging in the retail sale of flooring, ceiling and fire rated products.	2011	1,279	4.4	Timber formwork	Nil

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For the year ended 31 December 2015:

	Supplier	Background	Year in which our business relationship commenced	Purchase for the year (MOP'000)	Approximate % of our total purchases	Products supplied to our Group	Credit term (days)
1	Supplier F	A company in Hong Kong engaging in the retail sale of fire protection, security, and environmental protection products.	2011	9,817	13.0	Fire-proof doors	Nil
2	Supplier G	A company in Macau providing fitting-out works.	2014	8,549	11.4	LBD system non-slippery materials	30
3	Supplier C	A company in Hong Kong engaging in the retail sale of waterproof materials.	2013	7,964	10.6	Laticrete floor levelers	10
4	Supplier H	A company in Macau engaging in the retail sale of general chemicals, paints, coatings and building materials.	2013	6,230	8.3	Bumper Walls and Vinyl seals	Nil
5	Supplier I	A company in Macau engaging in the retail sale of building materials.	2014	4,648	6.2	Marble and stone materials	Nil

For the year ended 31 December 2016:

	Supplier	Background	Year in which our business relationship commenced	Purchase for the year (MOP'000)	Approximate % of our total purchases	Products supplied to our Group	Credit term (days)
1	Supplier C	A company in Hong Kong engaging in the retail sale of waterproof materials.	2013	11,761	29.6	Construction and waterproof materials	Nil
2	Supplier J	A company in the PRC engaging in the retail sale of bullet-proof and fire-proof doors.	2015	3,435	8.6	Fire-proof doors	Nil
3	Supplier K	A company in the PRC engaging in providing sanitary wares and fitting to hotels and property developers.	2014	2,207	5.6	Sanitary wares	Nil
4	Supplier G	A company in Macau engaging in the provision of fitting-out works.	2014	1,953	4.9	LBD system and non-slippery materials	30
5	Supplier D	A company in Australia engaging in the retail sale of insulation products.	2014	1,727	4.3	Insulation boards	Nil

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For the six months ended 30 June 2017:

	Supplier	Background	Year in which our business relationship commenced	Purchase for the period (MOP'000)	Approximate % of our total purchases	Products supplied to our Group	Credit term (days)
1	Supplier L	A company in PRC engaging in the retail sale of and installation of kitchenware and electrical appliances.	2014	15,117	85.9	Kitchenware and electrical appliances	Nil
2	Supplier G	A company in Macau engaging in the provision of fitting-out works	2014	416	2.4	LBD system and non-slippery materials	30
3	Supplier M	A company in Macau engaging in the retail sale of furniture.	2017	162	0.9	Furniture	Nil
4	Supplier B	A company in Hong Kong engaging in the retail sale of paints and coatings and producer of specialty chemicals	2013	120	0.7	Painting	30-60
5	Supplier N	A company in Hong Kong engaging in the retail sale of automatic door parts and accessories.	2015	111	0.6	Automatic door parts and accessories	Nil

All of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in our five largest suppliers during the Track Record Period.

Procurement of materials

Depending on the requirements of our customers, we may be responsible for purchasing materials such as timber product, marble, metal hardware and sanitary ware for our fitting out projects. Our subcontractors are mainly responsible for purchasing all such materials in accordance with their subcontracting agreement with us. Our procurement department sources materials, obtains quotations, conducts price evaluation and negotiation, undertakes procurement of materials, and allocates resources for all projects and aligns demands for each project. The materials we or our subcontractors procured are generally specified by our customers in the main contract. During the Track Record Period, we mainly procure materials from suppliers located in Macau, PRC and Hong Kong.

Our Directors is of the view that we have maintained good working relationship with our suppliers and do not foresee any difficulties in sourcing materials in the future given the relatively large pool of suppliers of materials in the market.

Basis for selecting our suppliers

We maintain an approved list of suppliers from Macau, PRC and Hong Kong. In selecting suppliers for a project, we evaluate them based on their scale of operation, our past cooperation with them, their capability to comply with the specified project requirements,

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price quotation, and time required by them to provide the required materials. We also review and update such list on a continuous basis. Based on these factors, our procurement department will coordinate with our project manager to select supplier from the approved list of suppliers to further negotiate purchase terms, and our executive Directors will review and approve the proposed supplier purchase order forms before execution. Our quantity surveyor will also examine the quantity and quality of materials ordered and the timing of delivery to ensure that the delivery meets our project schedules.

We will generally obtain quotation from more than one supplier of the same materials. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty, shortage or quality issue in procurement of materials from our suppliers. Therefore, our Directors consider that the Group did not place any significant reliance on any single supplier and we are able to engage alternative suppliers if necessary.

Pricing of supplies

The price is determined by reference to the quotation of suppliers as agreed on an order-by-order basis, which is generally the market price at the time. However, as we do not enter into any purchase contracts with our suppliers until the project has been awarded to us, we may not be able to successfully pass the price difference to our customer if there is any significant price fluctuation after we submit our tender or quotation documents.

Credit terms with suppliers

During the Track Record Period, our purchases from suppliers were generally denominated in MOP, RMB and HK\$. We generally settle payments with our suppliers by cheque payments and bank remittance. Our suppliers may require us to pay on demand or may offer us credit terms ranging from 10 to 90 days after delivery of materials.

OUR SUBCONTRACTORS

We are responsible for overall project implementation in respect of our fitting-out projects and our building construction projects. Depending on the nature of the works, we employ our own workers to handle more complicated parts of the project and generally engage subcontractors to perform certain labour intensive works. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we subcontracted a significant part of the works in our fitting-out projects and our building construction projects to our subcontractors in Macau. Our Directors believe that by engaging subcontractors, we are able to manage our projects more effectively and allow us the flexibility to deploy our resources more cost effectively without compromising our work quality.

Our subcontractors are generally required to procure the required materials, equipment and machineries to complete the works we subcontracted to them, the cost of which is normally included in their subcontracting fees.

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During the Track Record Period, our subcontractors were all located in Macau and the subcontracting fees we paid to our subcontractors were denominated in HK\$ and MOP. Subcontracting works generally include, among other things, plastering works, painting works and carpentry and joinery works for our fitting-out projects; and structural works, plastering works, electrical and mechanical installation works and fire installation works for our building construction projects.

We maintain long-standing working relationship with our subcontractors. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contract with our subcontractors. As at the Latest Practicable Date, we had approximately 91 subcontractors on our approved list, of which 60 subcontractors have had three years or above working relationship with us. The long-standing relationship with subcontractors enables us to have comprehensive assessment of our subcontractors over years so as to better control the quality and schedule of works in the long run. With the relatively large pool of subcontractors in our approved list, our Directors do not foresee any difficulties in finding alternative subcontractors if necessary.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, subcontracting fees paid/payable to our five largest subcontractors accounted for approximately 77.5%, 70.3%, 74.6% and 74.6% of our total subcontracting fees, respectively. For the same period, subcontracting fees paid/payable to our largest subcontractor accounted for approximately 40.1%, 31.5%, 51.0% and 25.0% of our total subcontracting fees, respectively.

We set out below our five largest subcontractors for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively:

For the year ended 31 December 2014:

Subcontractor	Background	Year in which our business relationship commenced	Subcontracting fees for the year (MOP'000)	Approximate % of our total subcontracting fees	Services supplied to our Group	Credit term (days)
1	Subcontractor A A company in Macau providing indoor and outdoor fitting-out works.	2014	18,805	40.1	Painting works	90
2	Subcontractor B A company in Macau providing fitting-out, building and road construction works.	2014	6,773	14.4	Wood works	90
3	Subcontractor C A company in Macau providing installation of building services systems works.	2014	4,784	10.2	Fitting-out works	90
4	Subcontractor D A company in Macau providing air conditioning systems.	2014	3,021	6.4	Installation of kitchen ware	90
5	Subcontractor E A company in Macau providing steel, metal and structural works.	2014	2,979	6.4	Steel and metal works	90

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For the year ended 31 December 2015:

	Subcontractor	Background	Year in which our business relationship commenced	Subcontracting fees for the year (MOP'000)	Approximate % of our total subcontracting fees	Services supplied to our Group	Credit term (days)
1	Subcontractor F	A company in Macau providing structural works, fitting-out works, electrical and mechanical services.	2014	50,961	31.5	Structural works, and electrical and mechanical installations	60
2	Subcontractor C	A company in Macau providing installation of building services systems works.	2014	18,310	11.3	Fitting-out works	90
3	Subcontractor G	A company in Macau providing indoor and outdoor fitting-out works.	2014	17,046	10.5	Fitting-out works	90
4	Subcontractor A	A company in Macau providing indoor and outdoor fitting-out works.	2014	15,053	9.3	Painting works and dry walls	90
5	Subcontractor H	A company in Macau providing fitting-out works.	2014	12,352	7.6	Fitting-out works	90

For the year ended 31 December 2016:

	Subcontractor	Background	Year of business relationship started	Subcontracting fees for the year (MOP'000)	Approximate % of our total subcontracting fees	Services supplied to our Group	Credit term (days)
1	Subcontractor F	A company in Macau providing structural works, fitting-out works, electrical and mechanical engineering services.	2014	124,170	51.0	Structural works, and electrical and mechanical installations	60
2	Subcontractor I	A company in Macau providing plastering, waterproofing and fitting-out works.	2007	18,037	7.4	Plastering and cleaning works	60
3	Subcontractor J	A company in Macau providing fitting-out works.	2015	14,781	6.1	Fitting-out works	90
4	Subcontractor K	A company in Macau providing fitting-out works.	2014	12,709	5.2	Fitting-out works	90
5	Subcontractor L (Note)	A company in Macau providing construction, plastering and fitting-out works, and is wholly owned by an employee of the Group and his spouse.	2015	11,856	4.9	Plastering and cleaning works	90

Note: We had engaged Subcontractor L to provide plastering and cleaning works for one of our projects and our Directors are of the view the terms offered by Subcontractor L were of normal commercial terms, and the transaction was conducted in the ordinary and usual course of business of our Group. The subcontracting fees paid to Subcontractor L were determined after arm's length negotiation between the parties thereto and at market rates or rates no less favourable to our Group than those offered by the independent third parties for comparable works. Our Directors consider that the terms were fair and reasonable after taking into account parameters such as requirements in the main contract with our customers, price quotation, schedule availability, their reputation and past performance track record.

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For the six months ended 30 June 2017:

	Subcontractor	Background	Year of business relationship started	Subcontracting fees for the period <i>(MOP'000)</i>	Approximate % of our total subcontracting fees	Services supplied to our Group	Credit term (days)
1	Subcontractor F	A company in Macau providing structural works, fitting-out works, electrical and mechanical engineering services.	2014	38,977	25.0	Structural works, and electrical and mechanical installations	60
2	Subcontractor M	A company in Macau providing installation of furniture works	2016	27,027	17.4	Supply and installation of furniture works	30
3	Subcontractor A	A company in Macau providing indoor and outdoor fitting-out works.	2014	21,232	13.6	Painting works	90
4	Subcontractor I	A company in Macau providing plastering, waterproofing and fitting-out works.	2007	20,067	12.9	Plastering and cleaning works	60
5	Subcontractor N	A company in Macau providing installation of metallic items	2015	8,921	5.7	Supply and installation of metallic items works	60

Save and except for Subcontractor J, a company incorporated in Macau and owned as to 51% by Ms. Lei, our executive Director and one of our Controlling Shareholders, all of our five largest subcontractors during the Track Record Period were Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in our five largest subcontractors during the Track Record Period.

Basis for selecting our subcontractors

We maintain an approved list of subcontractors. In selecting subcontractor for any given project, we evaluate them based on a number of parameters such as the requirements in the main contract with our customers, their scale of operation, our past cooperation with them, past performance track record, schedule availability and price quotation. We also review and update such list on a continuous basis, based on their workmanship, progress control, safety, environment control, organisation and resources. We also conduct background searches on new subcontractors before they are admitted to our approved list of subcontractors.

As at the Latest Practicable Date, there were approximately 91 subcontractors included in our approved list of subcontractors. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in procuring services from our subcontractors. Our Directors consider that the Group did not place any significant reliance on any single subcontractor.

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Major terms of subcontracting agreements

We generally enter into contracts with our subcontractors on a project-by-project basis. The terms of our contracts with our subcontractors may vary depending on the terms of the main contracts with our customers or their main contractors (as the case may be), but we generally adopt the following principal terms in our contracts with subcontractors in order to protect our interests:

- (i) **subcontracting fees:** a fixed subcontracting fee which is inclusive of labour, materials and costs incurred by the subcontractors.
- (ii) **scope of work:** scope of work is usually classified into (i) labour only; and (ii) labour plus materials.
- (iii) **compliance:** subcontractors must comply with all the relevant rules and regulations in relation to the occupational health and safety and the subcontractor's responsibilities and policies relating to quality control, work safety and environmental protection. The subcontractor shall also comply with all the provisions relating to the subcontracted works under the main contract we entered into with our customers, unless such provisions under the main contract is inconsistent with the terms of the subcontracting agreement.
- (iv) **assignment and subcontracting:** restrictions on further assignment or subcontracting by our subcontractors of works under the subcontracting agreement without our prior written consent.
- (v) **liquidated damages:** liquidated damages are payable by the subcontractors if the subcontractors fail to complete the works before the completion date as stipulated in the agreement.
- (vi) **indemnity:** subcontractors are required to indemnify us against any loss, expense or claim arising from the failure to comply with all relevant laws, rules and regulations by the subcontractor.
- (vii) **defect liability period:** subcontractors to bear all the costs in rectifying the defective works typically for a defect liability period of 12 months.
- (viii) **retention money:** the portion of money that we generally hold up from each progress payment (typically 10% of each progress payment) until a particular percentage of the total contract sum as retention money. We generally have the right to retain 5% of the total sum of the subcontracting agreement as retention money. Generally, the first half of the retention money is released upon the issue of certificate of practical completion of the project and the second half is released upon the issue of certificate of making good defects after the expiry of the defect liability period.
- (ix) **advance payment:** for some contracts, approximately 20% to 23% of the contract sum may be paid to our subcontractors as advance payment.

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- (x) **termination:** early termination whereby we may terminate the subcontracting arrangement forthwith with cause by giving notice to the subcontractors such that we will reserve the rights to seek for remedies.

Our subcontractors are neither our employees nor agents, and we are not a party to the employment arrangement between our subcontractors and their employees. Both fitting-out and building construction projects involve labour intensive works and given the variety of works undertaken by us, we rely on workers with different skills to complete our works. Our Directors are of the view that subcontracting provides a flexible means of meeting fluctuating workload and maximising the utilisation of industry expertise.

Subcontracting fees and payment terms

Our procurement department generally obtains quotation from our subcontractors to determine the tender or quotation price before submitting our tender proposal. We will consider the market labour and material prices trend to estimate potential adjustments in subcontracting fee. We normally entered into fixed-price contracts with our subcontractors after receipt of the contract awarded by our customers. Subcontracting fees are generally determined with reference to the quotation we obtained from our subcontractors, the work scope and project duration.

Our Directors believe that leveraging on our stable working relationships with our subcontractors and our industry experience, we have been able to manage the pricing risk involved given the difference in timing of our contract awards and our subcontractors providing the quotation.

The payment terms with our subcontractors are generally in line with the payment terms under our main contract. We pay our subcontractors progress payments on a monthly basis with reference to the value of the works done. For some contracts, we may pay approximately 20% to 25% of the contract sum to our subcontractors pursuant to the subcontracting agreement. Our subcontractors normally submit a payment application to us on a monthly basis and we will release relevant portion of the subcontracting fees except for retention money upon verifying the actual amount of works done. Payments are generally made within one month after we receive and verify the subcontractor's request. Retention money of 10% is generally held up from each progress payment until a particular percentage of the total contract sum is reached. We generally retain 5% of the contract sum as retention money. Generally, the first half of which is released upon the issuance of certificate of practical completion of the project and the second half of which is released upon the issuance of certificate of making good defects after the expiry of the defect liability period.

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Control measures

We are generally liable to our customers for the performance of our subcontractors under the main contract entered into between us and our customers, which includes acts, defaults, non-performance or negligence of our subcontractors. We have adopted the following control measures to reduce our liability exposure:

- Engage subcontractors on our approved list of subcontractors and we normally engage subcontractors we have cooperated for years;
- Require subcontractors to rectify all defects in the subcontracted works that they engaged in within the defect liability period;
- Provide our subcontractors with our internal guidelines and closely monitor if they have complied with our internal guidelines;
- Daily site visit by our project manager to ensure general compliance by subcontractors in all respects;
- Regular on-site inspections made by our safety officers to uphold our safety and environmental requirements;
- Regular meetings with subcontractors to address material issues and to update their knowledge on safety and environmental issues;
- Investigate the causes of non-compliance and establish preventive measures; and
- Maintain records of non-compliance regarding safety, environmental and other issues of our subcontractors.

Contracts with our subcontractors also have express provisions to prohibit them from hiring any illegal workers and we require our subcontractors to carefully check the identification documents of their workers to ensure that no illegal workers are hired to work in the sites for which we are responsible.

Our Directors further confirm that, we had not received any material claims or complaints from our customers for substandard work of our subcontractors and we had not experienced any material delayed performance by our subcontractors which affected our scheduled completion time under the main contract with our customers, during the Track Record Period and up to the Latest Practicable Date.

INVENTORY

Our fitting-out and construction materials are purchased and consumed on a project-by-project basis and we did not maintain any inventories during the Track Record Period.

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QUALITY CONTROL

Our Directors believe that our results and hence our profits depend on our ability to fulfill the needs of our customers in all respects. In pursuit of quality excellence, we have implemented a quality management system in accordance with the requirements of ISO 9001:2008 to develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term, project based approach.

Our quality management system is set out in our quality manual. Our quality management system is carried out through the fitting-out or building construction work process from the material procurement stage to the completion stage to ensure the project meets the standards required by our customers.

We generally only engage subcontractors on our approved list of subcontractors and depending on the nature and complexity of each project and the availability of our resources at the time. Our project management team in each project, generally conducts regular on-site inspections and arranges for regular meetings with our subcontractors to address material issues such as quality issues, to ensure sufficient resources are allocated for each project, and that the works executed at each stage meet the requirements of our customers.

SEASONALITY

Save and except that the period around the Chinese New Year holidays is often the traditional low season for the fitting-out and building construction industries, our Directors consider that neither our business nor our revenue was subject to any material seasonality during the Track Record Period.

OCCUPATIONAL SAFETY

We are subject to certain health and safety requirements under the relevant laws and regulations in Macau. We are committed to ensuring our employees and employees of our subcontractors work in a safe and healthy environment, and we regard occupational health and safety as our top priority for maintaining our reputation.

We have established and maintained a safety management system in our operations in Macau in accordance with OHSAS 18001 international standards.

Our system adopts a preventive approach with an emphasis on hazard management and risk assessment. We conduct internal risk assessment regularly and review them every six months. We aim to control our risk level by identifying risks and hazards in different types of works, and also provide information, training and supervision to enhance awareness of hazards and to be better prepared for contingency conditions. We have developed and maintained a safety management system for our operation in Macau where a record of non-compliance with any safety procedure as well as subsequent remedial measures are properly managed and reviewed in order to manage safety and health at all of the construction sites for which we are responsible and comply with applicable laws and regulations.

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We have adopted an internal safety manual highlighting the general rules and regulations applicable to our normal site operations. Our Directors require strict implementation of our safety system with supervision by our Group's or the subcontractors' management staff.

As at the Latest Practicable Date, we had five qualified safety officers, so as to monitor and implement our safety management system. We generally assign each project at least one safety officer to monitor our safety management system in accordance with the relevant Macau laws and regulations. To pursue the safety and health of all personnel working on sites, our safety officers conduct regular internal safety inspections to ensure our operations are conducted in a manner so as to reduce the risks to persons and properties.

We also provide safety training to all of our workers at the sites for safety regulations compliance. We require our subcontractors to abide by all legislations, codes and guidelines as well as all safety requirements as stated in our safety manuals and project safety plans and to comply with all current and future enactments relating to their works. If our subcontractors fail to implement our internal safety guidelines, we impose penalty on them as a warning. Relevant penalties will be deducted from the fees payable to the subcontractors. We also hold regular meetings with subcontractors to discuss safety issues and to follow up safety measures during the course of projects. We also evaluate our safety measures regularly and in the event of the occurrence of significant accidents, in order to improve safety control and to avoid recurrence of accidents. Subcontractors which failed to follow our safety measures and refused or failed to rectify will be removed from our approved list of subcontractors.

Despite the fact that we have a comprehensive safety management system together with various safety control measures to mitigate safety risks, the occurrence of accidents or injuries to workers on our sites is not uncommon due to the nature of the works of the fitting-out industry as well as the building construction industry.

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The following table sets forth the comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers of our Group (including our subcontractors working for our projects) against the construction industry average in Macau:

	Construction industry average in Macau (Note 1)	Our projects in Macau (Note 2)
For the six months ended 30 June 2017		
Accident rate per 1,000 workers	N/A ^(Note 3)	8.47
Fatality rate per 1,000 workers	N/A ^(Note 3)	–
For the year ended 31 December 2016		
Accident rate per 1,000 workers	23.63	9.31
Fatality rate per 1,000 workers	0.20	–
For the year ended 31 December 2015		
Accident rate per 1,000 workers	25.47	10.64
Fatality rate per 1,000 workers	0.20	–
For the year ended 31 December 2014		
Accident rate per 1,000 workers	23.33	10.74
Fatality rate per 1,000 workers	0.15	–

Notes:

1. The statistics are extracted from the Relatório de análise estatística relativo aos acidentes de trabalho (Analysis Report on the Work Injuries Statistics) published by the Labour Affairs Bureau of the Government of Macau.
2. Our Group's accident rate for our projects is calculated as the number of accidents during the year/period divided by the daily average site workers onsite during the year. The daily average site workers for our projects include employees of our Group and our subcontractors.
3. The relevant statistics for the six months ended 30 June 2017 are not available as at the Latest Practicable Date.

Based on the above information, our Directors believe that the accident rates for our projects during the Track Record Period were lower than the construction industry average rates in Macau. During the Track Record Period and up to the Latest Practicable Date, our Group recorded no fatal accidents at our work sites. For further details of the accidents occurred during the Track Record Period, please refer to the section headed "Business – Litigations and Claims" in this prospectus.

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During the Track Record Period, we have implemented the following safety control measures to prevent the occurrence of similar accidents in the future and protect our own workers and those of our subcontractors. Our Directors believe that our Group's efforts on adopting enhanced safety control measures will prevent future accidents.

- The workers are required to strictly follow our internal safety plan to wear all necessary safety equipment, such as helmets and gloves.
- The workers are required to strictly follow our internal safety plans and our work procedure guidelines to use appropriate means to handle specific nature of works.
- The workers are required to put all objects and materials orderly in the specified location and to tidy the worksites from time to time, so as to secure the tidiness of the worksite.

To further improve our safety control, we have further enhanced our internal safety trainings as well as our supervision on the implementation of internal safety guidelines by our subcontractors. We have also increased our inspection frequency to enhance the safety monitoring on the site in all sites.

The following table sets forth the comparison of our Group's lost time injuries frequency rates (LTIFRs) for our projects during the Track Record Period:

	LTIFRs <i>(Note)</i>
For the six months ended 30 June 2017	5.92
For the year ended 31 December 2016	3.26
For the year ended 31 December 2015	3.73
For the year ended 31 December 2014	3.76

Note: LTIFRs are frequency rates that show the number of lost time injuries (LTIs) within a given time period (e.g. per 1,000,000 hours) relative to the total number of hours worked in the same period. LTIFRs are calculated by multiplying the number of LTIs happened in the relevant year/period by 1,000,000 and then dividing by the number of hours worked by the workers over the year/period.

During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliance or violations on any laws and regulations in relation to health and safety. We will continue to deploy adequate resources and make an effort to maintain and enhance our safety management system in order to mitigate our risks related to safety issues.

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ENVIRONMENTAL MATTERS

Our fitting-out and building construction projects may generate wastes and disturbances such as noise and vibration, which may inevitably have an impact on the environment. Our business, is therefore subject to certain laws and regulations in relation to environmental protection in Macau. Please refer to the section headed “Regulatory Overview” in this prospectus.

We are committed to the minimisation of any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws and to carry out our corporate responsibility in respect of environmental protection, we have established and maintained an environmental management system in accordance with ISO 14001 international standards. We have also assigned separate resources to update our environment management system and maintain our ISO 14001 certification in order to reduce our risks related to environmental issues. As at the Latest Practicable Date, we had five qualified safety officers, responsible for monitoring and implementing our environmental management system. Our safety officers will uphold our safety and environmental requirements and conduct on-site inspections to ensure our operations are conducted in a manner so as to comply with our environmental protection policy.

Our in-house rules contain measures and work procedures governing environmental protection compliance that are required to be followed by our workers. We distribute guidance materials and provide trainings to our workers annually. It is also our policy to provide induction site specific trainings to our workers in relation to environmental matters before commencement of works of each project.

We generally require our subcontractors to comply with our environmental protection policy and we normally conduct weekly site inspections throughout the construction phase.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our aggregate annual cost of compliance with applicable environmental laws and regulations in Macau was approximately MOP48,000, MOP195,000, MOP400,800 and MOP160,200, respectively. We estimate that such cost of compliance will not be material in the future.

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

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INSURANCE

Our Group maintains compulsory industrial accident insurance for our employees.

For fitting-out projects, we are generally protected by the main contractor's all risks and third party liabilities insurance which, depending on the terms of the relevant contracts, are taken out either by project owners or their main contractors. For the building construction projects where we act as main contractor, we maintain insurance policies for contractor's all risks insurance, and third party liabilities insurance.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our insurance cost was approximately MOP155,000, MOP448,000, MOP437,000 and MOP275,000, respectively. Taking into account our Group's current operations and the prevailing industry practice, our Directors confirm that our Group has obtained adequate insurance coverage for the operation of our business, and is in line with the industry norm. Our Directors believe that there is no material risk in connection with our business which is not covered by the abovementioned insurance. As at the Latest Practicable Date and during the Track Record Period, we had not made nor been the subject of any material insurance claims.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 385 employees in Macau. The number of our employees classified by function is as follows:

Function	No. of employees
Management	7
Project management and execution	23
Finance and accounting	6
Human resources and administration	10
Health and safety	3
Operation management	9
Direct labour	<u>327</u>
Total number of employees	<u><u>385</u></u>

Depending on our staffing arrangement, our direct labour covers our own workers and the workers employed by our customers (as main contractor) for projects managed by us. As at the Latest Practicable Date, we had approximately 327 direct labour in Macau.

We will enter into agreement with our customers in relation such staffing arrangement, where we will manage the workers for such projects, for and on behalf of our customers. These workers generally consists of a combination of Macau and non-Macau residents. Each of our non-Macau resident is required to obtain a work permit issued by the Human

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Resources Office of the Macau Government. As advised by our Macau Legal Advisers, such staffing arrangements with our customers are in full compliance with all applicable laws and regulations in Macau.

We are committed to prohibiting recruitment of illegal workers, we would check the identification documents provided by the candidates. During the Track Record Period and up to the Latest Practicable Date, no illegal workers have been reported in the sites for which we are responsible.

Recruitment and remuneration

We generally recruit our employees through placing advertisements in the open market, personal referrals and recruitment agencies, with reference to their experience, qualifications and expertise required for our business operations. We will enter into separate employment agreements with each of our employees in accordance with the applicable laws and regulations in Macau. The remuneration package generally include basic salaries, bonuses and employee benefits such as housing allowances. We conduct annual review on employee salary and promotion based on their respective performances.

Employee training

We provide orientation programmes for new employees to familiarise them with our general working environment and work culture. We will also arrange on-the-job trainings for our employees such as accounting trainings conducted by external parties, which aims at developing their skills so as to meet our strategic goals, customer requirements, regulatory requirements and contractual obligations. We have also provided specific site trainings to our site personnel in respect of management of quality, environmental protection, health and safety matters.

Employee relations

Our Directors believe that we have a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with our employees. Our employees are not members of any labour union. As of the Latest Practicable Date, we had not experienced any significant problems with our employees or disruption to our operation due to labour disputes, nor had we experienced any material difficulties in recruiting or retaining experienced staff.

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PROPERTIES

Owned property during the Track Record Period

During the Track Record Period, we owned one property in Macau and details are set out as below:

No.	Address	Approximate gross floor area (sq. ft.)	Use of the property
1.	Em Macau, Rua das Estalagens No. 112-112B, Meng Yu, Rés-Do-Chão A	312	Rental investment

On 27 April 2017, Space Construction has entered into a provisional sale and purchase agreement with Mr. Che, our executive Director and a Controlling Shareholder, pursuant to which Mr. Che has agreed to acquire and Space Construction has agreed to sell the above property for a total consideration of HK\$40,000,000 (equivalent to approximately MOP41,200,000). The disposal had been completed on 7 July 2017.

As at 31 October 2017, the market value of the above property was approximately HK\$40,000,000 as appraised by Savills (Macau) Limited, an independent property valuer.

Property acquired by our Group subsequent to the Track Record Period

On 25 April 2017, Space Construction has entered into provisional sale and purchase agreements with Mr. Che, our executive Director, pursuant to which Space Construction has agreed to acquire and Mr. Che has agreed to sell a property for a total consideration of HK\$81,500,000 (equivalent to approximately MOP83,945,000). The acquisition had been completed on 15 November 2017. Details of the property is set out as below:

No.	Address	Approximate gross floor area (sq. ft.)	Intended use of the property
1.	Rua Do Caetano No. 23, 25 and 27, 32, 34, Coloane	3,294	Office

As at 31 October 2017, the market value of the above property was approximately HK\$81,500,000 as appraised by Savills (Macau) Limited, an independent property valuer.

The acquisition of the above property was financed by a bank loan covering 70% of the total consideration of the acquisition, which amounted to HK\$57,050,000 (approximately MOP58,761,500), and the remaining amount of the consideration was offset by the amount due from Mr. Che. Such additional bank loan further increases our Group's gearing ratio to approximately 3.5.

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For details of the Group's property interests, please refer to the section headed "Property Valuation" set out in Appendix III to this prospectus.

Leased properties

As at the Latest Practicable Date, we leased five properties in Macau from Independent Third Parties and their details are set out below:

No.	Address	Approximate gross floor area (<i>sq. ft.</i>) (<i>approximately</i>)	Lease term	Rent (<i>per month</i>)	Tenant	Use
1.	Avenida De Marciano Baptista Nos. 26-28, Centro Comercial Chong Fok 5c, Macau.	1,641	From 1 July 2016 to 30 June 2018	(i) HK\$24,000 for the first rental year; and (ii) HK\$26,400 for the second rental year	Space Group	Office
2.	Avenida De Marciano Baptista Nos. 26-28, Centro Comercial Chong Fok 8c, Macau.	1,605	From 18 March 2016 to 17 March 2019	(i) HK\$23,000 for the first rental year; (ii) HK\$25,300 for the second rental year; and (iii) HK\$27,830 for the third rental year.	Mr. Che (<i>Note</i>)	Office and carpark
3.	Avenida De Marciano Baptista Nos. 26-28, Centro Comercial Chong Fok, Garagem Subterranea F12-22	N/A	From 1 June 2016 to 30 June 2018	(i) HK\$2,200 for the first rental year; and (ii) HK\$2,300 for the second rental year	Space Group	Carpark
4.	Avenida De Marciano Baptista Nos. 26-28, Centro Comercial Chong Fok, Garagem Subterranea F13-57	N/A	From 1 August 2017 to 31 July 2019	MOP2,000	Space Group	Carpark
5.	Avenida De Marciano Baptista Nos. 26-28, Centro Comercial Chong Fok 11F, Macau	1,258	From 15 July 2017 to 14 July 2021	(i) HK\$21,000 for the first and second rental year; and (ii) HK\$24,150 for the third and fourth rental year	Space Group	Office

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Note: The tenancy agreement for the leased property was entered into between the landlord and Mr. Che, one of our executive Directors. As advised by our Macau Legal Advisers, our Group has obtained approval from Mr. Che in using the leased property for its business operations. The tenancy agreement is valid and subsisting and is legally binding upon and enforceable against the landlord and the tenant under the relevant laws and regulations of Macau. In the event that there is dispute over the actual use of the leased property by the Group, only the contracting parties shall bear the liability arising from the breach of the tenancy agreement, and the landlord shall have no rights to claim against our Group. Our Group therefore shall have no liabilities or obligations whatsoever in relation to or arising from its use of the leased property and/or the tenancy agreement between the Landlord and Mr. Che. Our Macau Legal Advisers are therefore of the view that the risk that the Group would be involved in such dispute is minor. Our Directors believe that even if our Group is required to relocate from such leased property, the relocation will not cause any material disruption on our Group's operation. The relocation costs and any adverse impact on our Group's business operations would be minimal.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our aggregate rental and related expenses were approximately MOP385,000, MOP447,000, MOP428,000 and MOP384,000, respectively.

As at the Latest Practicable Date, our Directors confirm that we had not been subject to any material claim arising from or in connection with any defect in our leasehold interest in any of our leased properties.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group had one registered trademark in Hong Kong and one trademark application filed in Macau, which were material to our business. For further details of our intellectual property rights, please refer to the section headed "Statutory and General Information – Further Information about the Business of the Company – 8. Intellectual property rights of the Group" in Appendix V to this prospectus.

As of the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned or being applied by us.

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COMPETITION

According to Frost & Sullivan Report, there were about 200 fitting-out contractors in Macau in 2016. The fitting-out industry in Macau is competitive with the top five contractors take up approximately 16.6% of the market share in terms of estimated revenue in 2016. Our Group ranked as the second largest fitting-out contractor in Macau in 2016 in terms of estimated revenue derived from Fitting-out Works, with approximately 1.9% market share. Nonetheless, since the fitting-out industry in Macau is highly fragmented with the largest fitting-out contractor having a significantly larger market share of approximately 10.8% in terms of revenue in 2016 compared to our Group, there is a risk that the largest fitting-out contractor may be willing to underbid for projects to gain market share which may have a material adverse effect on our Group.

According to the Frost & Sullivan Report, there were about 800 registered contractors in Macau providing building construction services as of March 2017. The building construction industry is relatively concentrated. We have gained approximately 0.16% of market share in the building construction segment in terms of revenue in 2016.

Our Directors believe that we compete with our competitors principally on reputation, development strategies and financial capability. For details of our industry environment, please refer to the section headed “Industry Overview” in this prospectus.

MAJOR QUALIFICATIONS AND CERTIFICATIONS

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we have obtained all requisite licences, permits, certificates and qualifications that are material for our business operation in Macau.

As at the Latest Practicable Date, we held the following major qualifications and certifications:

Year of first of grant	Recipient	Qualification/ Certificate	Awarding organisation or authority	Expiry date
2008	Space Construction	Registration as a construction company	DSSOPT	31 December 2017 <i>(Note)</i>
2014	Space Construction	ISO 9001:2015	Certification Europe (UK) Limited	14 December 2020
2014	Space Construction	ISO 14001:2015	Certification Europe (UK) Limited	14 December 2020
2014	Space Construction	OHSAS 18001:2007	Certification Europe (UK) Limited	14 December 2020

Note: As required by the DSSOPT, renewal of the registration should be made in January of the following calendar year. As advised by our Macau Legal Advisers, there are no legal impediments to the renewal of the registration as a construction company of Space Construction.

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Some of the registrations or qualifications are subject to regular review and renewal. The expected time required to complete the renewal process is generally around three to five weeks. We shall submit application to renew all existing registrations and qualifications accordingly before their respective expiry dates in accordance with relevant Macau laws and regulations. We have not experienced any refusal of renewal of the registrations necessary for our operations during the Track Record Period and up to the Latest Practicable Date. As advised by our Macau Legal Advisers, there are no legal impediments to the renewal of the relevant qualification and certifications.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any instances of suspension or revocation of material licences, permits and certificates granted to us that were essential to our operations.

LITIGATIONS AND CLAIMS

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business operations. As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our business, results of operations or financial condition.

The litigations and claims as well as pending and threatened litigations and claims known to our Directors that were against us during the Track Record Period and up to the Latest Practicable Date (details of which are set out below) were generally related to claims such as work accidents and labour disputes arising out of the ordinary course of our business. Our Directors are of the view that none of such proceedings would have a material impact on our business, results of operations or financial condition, or on our Shares, the Share Offer and the Listing.

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(i) Accidents involving our Group

No.	Date of the accident	Details of the accidents	Approximate total amount settled (MOP)	Status as at the Latest Practicable Date
1.	3 October 2014	A worker alleged that he sustained waist injury while working at the site.	As at the Latest Practicable Date, the total amount settled is to be ascertained.	Investigation has been completed and the claim has been passed to the Prosecution Office of Macau.
2.	10 December 2016	A worker alleged that he sustained foot injury while working at the site.	As at the Latest Practicable date, the total amount settled is to be ascertained.	Investigation is under process. The claim has been passed to the insurer for further action.
3.	16 February 2017	A worker alleged that he sustained foot injury while working at the site.	As at the Latest Practicable Date, the total amount settled is to be ascertained.	Investigation is under process. The claim has been passed to the insurer for further action.
4.	15 May 2017	A worker alleged that he sustained toe injury while working at the site.	As at the Latest Practicable Date, the total amount settled is to be ascertained.	Investigation is under process. The claim has been passed to the insurer for further action.

The Group recorded 12 accidents that occurred during the Track Record Period, of which (i) claims relating to eight accidents had already been settled with a total settlement amount of approximately MOP127,700 as at the Latest Practicable Date; and (ii) claims relating to the remaining four accidents as set out above were not yet settled as at the Latest Practicable Date. Our Directors confirmed that there is sufficient insurance coverage for all of the industrial accidents recorded during the Track Record Period and up to the Latest Practicable Date.

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(ii) Other claims involving our Group

	No. of claims	Nature/reasons of claims	Approximate total amount settled (MOP)
Settled labour dispute claims	24	Claims with the Labour Affairs Bureau of Macau in relation to the alleged default in salary payments to the workers.	905,000
Settled contractual claims	1	Claim against our Group in relation to works provided by the plaintiff	45,100
Settled contractual claims	2	Claims against our Group in relation to our leasing of machinery	1,410,000

NON-COMPLIANCE INCIDENTS

Our Directors confirm that save as disclosed below, which our Directors consider will not have a material adverse impact on our operations and financial results, there was no non-compliance incident which could have a material adverse effect on our financial condition or results of operations and we have been in compliance in all material respect with all applicable laws and regulations in the jurisdiction where we conduct our business during the Track Record Period and up to the Latest Practicable Date.

Non-compliance with occupational safety regulations

A summary of the historical non-compliance incidents in relation to the Hygiene and Safety Regulation which were known to our Directors during the Track Record Period and up to the Latest Practicable Date is set out in the table below:

Particulars of the non-compliance incidents	Reasons for non-compliance	Maximum penalties	Rectification measures
We failed to comply with the article 154 of the Hygiene and Safety Regulation on 26 June 2015, 19 March 2016, 16 December 2016, 8 March 2017, 12 April 2017, 9 May 2017, 31 May 2017, 29 June 2017, 15 July 2017 and 16 October 2017 in lack of setting fence with 90 cm tall and at least 15 cm skirting board.	The non-compliance was unintentional and due to inadvertent oversight of site workers.	We could be subject to a fine from MOP3,000 to MOP15,000 for each offence. We were finally fined the minimum penalty of MOP3,000 for each offence.	The administrative fine of MOP3,000 for each offence has been settled by us.

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Particulars of the non-compliance incidents	Reasons for non-compliance	Maximum penalties	Rectification measures
We failed to comply with the article 153 of the Hygiene and Safety Regulation on 16 December 2016 and 8 February 2017 in lack of clear mark for prevention of accessing the hazard area.	The non-compliance was unintentional and due to inadvertent oversight of site workers.	We could be subject to a fine from MOP3,000 to MOP15,000 for each offence. We were finally fined the minimum penalty of MOP3,000 for each offence.	The administrative fine of MOP3,000 for each offence has been settled by us.
We failed to comply with the article 146 of the Hygiene and Safety Regulation on 19 March 2016 in lack of safety belt device set in the site for the worker to use.	The non-compliance was unintentional and due to inadvertent oversight of site workers.	We could be subject to a fine from MOP3,000 to MOP15,000 for each offence. We were finally fined the minimum penalty of MOP3,000.	The administrative fine of MOP3,000 has been settled by us.
We failed to comply with article 50(b) of the Hygiene and Safety Regulation on 8 March 2017 and 12 April 2017 in lack of protecting doors or other equivalent fences with a minimum height of 90 cm.	The non-compliance was unintentional and due to inadvertent oversight of site workers.	We could be subject to a fine from MOP1,500 to MOP7,500 for each offence. We were finally fined the minimum penalty of MOP1,500 for each offence	The administrative fine of MOP1,500 for each offence has been settled by us.
We failed to comply with article 50(c) of the Hygiene and Safety Regulation on 8 March 2017 and 12 April 2017 in ensuring the door only remains open for the time deemed necessary for the loading or unloading of the materials.	The non-compliance was unintentional and due to inadvertent oversight of site workers.	We could be subject to a fine from MOP1,500 to MOP7,500 for each offence. We were finally fined the minimum penalty of MOP1,500 for each offence	The administrative fine of MOP1,500 for each offence has been settled by us.
We failed to comply with article 166(1) of the Hygiene and Safety Regulation on 15 July 2017 in ensuring that the door of the temporary electrical distribution box is closed properly and the inner power connection area was not properly cover, that the live part is exposed.	The non-compliance was unintentional and due to inadvertent oversight of site workers.	We could be subject to a fine from MOP3,000 to MOP15,000 for each offence. We were finally fined the minimum penalty of MOP3,000.	The administrative fine of MOP3,000 has been settled by us.

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Particulars of the non-compliance incidents	Reasons for non-compliance	Maximum penalties	Rectification measures
We failed to comply with article 166(4) of the Hygiene and Safety Regulation on 15 July 2017 in ensuring that an electric water pump is grounded.	The non-compliance was unintentional and due to inadvertent oversight of site workers.	We could be subject to a fine from MOP3,000 to MOP15,000 for each offence. We were finally fined the minimum penalty of MOP3,000.	The administrative fine of MOP3,000 has been settled by us.

Non-compliance with tax regulations

A summary of the historical material non-compliance incidents in relation to the Complementary Tax Regulation (the “CTR”) and the Professional Tax Regulation (the “PTR”) during the Track Record Period is set out in the table below:

Particulars of non-compliance incidents	Reasons for non-compliance	Maximum penalties	Rectification measures
Space Construction failed to comply with article 64 of the CTR in submitting a correct tax return for the years ended 31 December 2012, 2013, 2014 and 2015; and Space Oriental failed to comply with article 64 of the CTR in submitting a correct tax return for the years ended 31 December 2014 and 2015.	<p>The incorrect tax returns first filed, which were prepared based on the then management accounts, were primarily due to (i) the delay in updating the accounting records of the relevant companies for the relevant years; and (ii) misclassification of items. As advised by the Macau Tax Advisers, Space Construction and Space Oriental were Group B taxpayers at the material time, and Group B taxpayers shall file tax returns by end of March of the following year based on their management accounts or purchase and sales books, and a Group B taxpayer is not required to have its accounts audited.</p> <p>Specifically, the complementary tax shortfall for the years ended 31 December 2012 and 2013 was mainly attributable to:</p> <ul style="list-style-type: none"> (i) the exclusion from the initial tax returns of revenue and expenses of several projects that were completed close to the financial year-end, given the amount of expenses incurred for the excluded projects had not been finalized and recorded in our Group’s books and accounts at the material time when our Group filed the initial tax returns since (a) some of the sub-contractors had not yet submitted the payment applications to the Group at the material time; and (b) our Group, with limited manpower available, required a relatively longer period of time to certify the payment applications submitted by the sub-contractors; and (ii) the misclassification of retention money as expenses. 	<p>According to article 64 of the CTR, a fine from MOP100 to MOP20,000 may be imposed on Space Construction and Space Oriental for each incident.</p> <p>As advised by the Macau Tax Advisers, Space Construction and Space Oriental may be subject to a maximum fine of MOP80,000 and MOP40,000, respectively.</p>	<p>Space Construction had re-filed the tax return for the years ended 31 December 2012 and 2013 in October 2016, and had received the tax assessment from the Financial Services Bureau of Macau (the “FSB”) in December 2016 and paid the relevant complementary tax shortfall for years ended 31 December 2012 and 2013 of approximately MOP116,000 and MOP207,000, respectively, in January 2017.</p> <p>In addition, Space Construction had re-filed the tax return for years ended 31 December 2014 and 2015 in November 2016, and received the tax assessment from the FSB in April 2017. The relevant complementary tax shortfall for years 2014 and 2015 was approximately MOP397,000 and MOP2,499,000, respectively, which had been settled in May 2017.</p> <p>Space Oriental had also re-filed the tax return for the years ended 31 December 2014 and 2015 in November 2016, and received the tax assessment from the FSB for the years ended 31 December 2014 and 2015 in June and April 2017 respectively. The relevant complementary tax shortfall for Space Oriental for the year ended 31 December 2014 was approximately MOP1,796,000, which had been settled in July 2017, and that for the year ended 31 December 2015 was approximately MOP3,444,000, which had been settled in May 2017.</p>

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Particulars of non-compliance incidents

Reasons for non-compliance

Maximum penalties

Rectification measures

Moreover, the complementary tax shortfall for the years ended 31 December 2014 and 2015 was mainly due to:

- (i) the exclusion from the initial tax return of (a) all revenue and expenses of two sizable fitting-out projects in respect of 2014 and a portion of revenue and expenses of such two projects in respect of 2015, as the amount of revenue and expenses of these two projects had not yet been certified, finalized and recorded in our Group's books and accounts at the material time when our Group filed the initial tax returns since (a) a portion of works under the variation orders for these two projects had been completed but not yet certified owing to a longer period of time generally required for negotiation and reaching agreements on the fees to certify works under the variation orders; and (b) a portion of expenses of which relevant payment applications had been made by the sub-contractors had not yet been certified by our Group at the material time; and
- (ii) the misclassification of retention money (and in respect of 2015 only, misclassification of pledged deposits for issuance of performance bonds) as expenses.

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Particulars of non-compliance incidents	Reasons for non-compliance	Maximum penalties	Rectification measures
	<p>The non-compliance was attributable to (i) the unexpected extra time required to update the accounting records of our Group, notwithstanding the additional accounting staff employed by our Group throughout the years, due to the rapid expansion of our Group and unexpected variation orders, specifically related to two sizable fitting-out projects which commenced works in 2014, thereby resulting in delay in updating the accounting records, and causing the tax shortfall; and (ii) inadvertent oversight and insufficient knowledge of the relevant requirements of the accounting staff, particularly having considered the fact that no qualified accountant had been employed at the material time given the small operating scale of our Group at that time, and that the accounts are not required to be audited and hence they were not checked by a professional firm. As such, there was no intention to delay in reporting revenue and expenses in the tax returns. In addition, our executive Directors are principally responsible for overall management of our Group's business development. Without any accounting background, they had no knowledge of the basis for preparing and updating books accounts and thus rely on the accounting staff for preparing our Group's accounts and tax returns. As no material issue relating to the books and accounts was brought to the executive Directors' attention at the material time, it was reasonable for them to assume that the accounts and tax returns in question were in order. As such, the non-compliance did not involve intentional misconduct, fraud or dishonesty on the part of our Directors.</p>		
<p>Minsang Oriental failed to comply with article 10 of the CTR in submitting the complementary tax return for the years ended 31 December 2013, 2014 and 2015 within the timeframe for Group B taxpayer stipulated in the CTR.</p>	<p>The non-compliance did not involve intentional misconduct, fraud or dishonesty on the part of our Directors, but was due to inadvertent oversight of the accounting clerk responsible for the tax matters, and lack of proper system and control to keep track of our compliance status.</p>	<p>According to article 64 of the CTR, a fine from MOP100 to MOP20,000 may be imposed on Minsang Oriental for each incident.</p> <p>As advised by the Macau Tax Advisers, Minsang Oriental may be subject to a maximum fine of MOP60,000.</p>	<p>Minsang Oriental had submitted the tax filing for the year ended 31 December 2013 in May 2017 and that for the years ended 31 December 2014 and 2015 in March 2017, and had not yet received the tax assessment from the FSB as at the Latest Practicable Date.</p> <p>It is estimated that the total Macau tax payable for the years ended 31 December 2013, 2014 and 2015 is nil as Minsang Oriental had no business operation for the years ended 31 December 2013, 2014 and 2015.</p>

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Particulars of non-compliance incidents	Reasons for non-compliance	Maximum penalties	Rectification measures
<p>Space Construction failed to comply with article 13 of the PTR in submitting Form M3/M4 for the year ended 31 December 2016 within the timeframe stipulated in the PTR; Space Oriental failed to comply with article 13 of the PTR in submitting Form M3/M4 for the year ended 31 December 2016 within the timeframe stipulated in the PTR; Minsang Oriental failed to comply with article 13 of the PTR in submitting Form M3/M4 for the years ended 31 December 2013, 2014, 2015 and 2016 within the timeframe stipulated in the PTR; and Space Group failed to comply with article 13 of the PTR in submitting Form M3/M4 for the years ended 31 December 2014 and 2016 within the timeframe stipulated in the PTR.</p>	<p>The non-compliance did not involve intentional misconduct, fraud or dishonesty on the part of our Directors, but was due to inadvertent oversight of the accounting clerk responsible for the tax matters and lack of proper system and control to keep track of our compliance status.</p>	<p>According to article 59 of the PTR, a fine from MOP500 to MOP5,000 may be imposed on Space Construction, Space Oriental, Minsang Oriental and Space Group for each incident. If there is a deliberate intention on late filing, a fine from MOP1,000 to MOP10,000 may be imposed on Space Construction, Space Oriental, Minsang Oriental and Space Group for each incident.</p> <p>As advised by the Macau Tax Advisers, Space Construction, Space Oriental, Minsang Oriental and Space Group may be subject to a maximum fine of MOP10,000, MOP10,000, MOP40,000 and MOP20,000, respectively.</p>	<p>Space Construction had submitted the Form M3/M4 for the year ended 31 December 2016 in March 2017.</p> <p>Space Oriental had submitted the Form M3/M4 for the year ended 31 December 2016 in March 2017.</p> <p>Minsang Oriental had submitted the Form M3/M4 for the year ended 31 December 2013 in May 2017, that for the years ended 31 December 2014 and 2015 in April 2017, and that for the year ended 31 December 2016 in March 2017.</p> <p>Space Group had already submitted the Form M3/M4 for the year ended 31 December 2014 in March 2015 and that for the year ended 31 December 2016 in March 2017.</p>

View of the Macau Tax Advisers

In connection with the non-compliance, the Macau Tax Advisers have issued an independent Macau tax opinion as follows:

1. According to articles 55 and 74 of the CTR, the settlement of complementary tax as well as penalties are limited to five years from the respective financial year. Accordingly, the FSB will lose its rights to recover the complementary tax and impose penalties after five years, and thus only has rights to recover the settlement of complementary tax and impose penalties on non-compliance that occurred in or after financial year ended 31 December 2012.
2. The re-filed tax returns were prepared based on the then management accounts of the relevant companies for the relevant years. Subsequent to the re-filing, certain late adjustments were made to the management accounts for years ended 31 December 2014 and 2015 (the “**Revised Management Account**”) to conform to the relevant accounting standards in preparation for the Listing.

In respect of the re-filing of Space Construction for the years ended 31 December 2014 and 2015, as advised by the Macau Tax Advisers, the taxable profits stated in the tax assessment issued by the FSB was greater than that in the Revised Management Accounts for the years ended 31 December 2014 and 2015, the nature of such discrepancy resulting from the aforesaid late adjustments does not render the re-filed tax returns incorrect, and the possibility for imposing additional tax for the years ended 31 December 2014 and 2015 by the FSB is remote.

In respect of the re-filing of Space Oriental for the years ended 31 December 2014 and 2015, the taxable profits stated in the tax assessment issued by the FSB was lower than that in the Revised Management Account for years ended 31 December 2014 and 2015. As advised by the Macau Tax Advisers, the nature of the discrepancy resulting from the aforesaid late adjustments does not render the

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re-filed tax returns for the years ended 31 December 2014 and 2015 incorrect, and hence, no further tax re-filing based on the Revised Management Accounts for the years ended 31 December 2014 and 2015 is required. Instead, Space Oriental is only required to report the discrepancy to FSB when it files the tax return for the year ended 31 December 2016. As advised by the Macau Tax Advisers, reporting such nature of discrepancy in the tax filing for the year ended 31 December 2016 is acceptable under M/1 Profits Declaration – Guidelines for Completing Forms and Making Declarations for Group A taxpayer issued by the FSB. Provisions for all potential complementary tax shortfall of Space Oriental have been made.

3. Given that (i) the aggregate maximum fine that may be imposed will not exceed MOP260,000; (ii) the aggregate amount of complementary tax shortfall for the four years ended 31 December 2015 and complementary tax payable for the year ended 31 December 2016 is likely to be approximately MOP19,522,000; and (iii) the tax provisions for the aforesaid fine and complementary tax shortfall had been fully provided in our Group's financial statements for the relevant years, the Macau Tax Advisers are of the view that, having reviewed the tax provision made by us, the tax provision is sufficient and the penalties of the said non-compliance incidents, including the complementary tax shortfall and complementary tax payable, would not have material impact on our financial results.

Indemnity given by the Controlling Shareholders

Nonetheless, the Controlling Shareholders have undertaken to indemnify our Group against all losses and liabilities arising from the above non-compliance incidents. For details, please refer to the section headed "Statutory and General Information – Other Information – 2. Tax and other indemnity" in Appendix V to this prospectus.

Having considered that (i) we had already re-filed the correct tax returns; (ii) the complementary tax shortfall of Space Construction and Space Oriental had been settled by us subsequently; (iii) the aggregate maximum fine that may be imposed will not exceed MOP260,000; (iv) tax provision has been made for the fine and complementary tax shortfall; (v) indemnity has been provided by our Controlling Shareholders for all losses and liabilities arising from the above non-compliance incidents; (vi) we had not received any inquiries from FSB in relation to the re-filed tax returns and no fines or penalties were imposed on any member of our Group in relation to the tax non-compliance incidents by the FSB as at the Latest Practicable Date; and (vii) we have adopted internal control measures to avoid recurrence of the tax non-compliance incidents, details of which are set out in the paragraph headed "Key measures taken and to be taken to avoid recurrence of the non-compliant incidents" in this section, our Directors are of the view that the above tax non-compliance incidents do not have any material financial and operational impact on our Group.

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Key measures taken and to be taken to avoid recurrence of the non-compliant incidents

In order to ensure sound implementation of our risk management and internal control policies, we have adopted and will adopt various on-going measures as set out below:

- (i) our Directors and senior management have attended training session conducted by our legal advisers as to Hong Kong law on the on going obligations and duties of a director of a company whose shares are listed on the Stock Exchange. We will continue to arrange trainings to be provided by external advisers and/or other appropriate accredited institution;
- (ii) we will arrange for a Macau tax expert to provide training to our finance and accounting staff and relevant senior management to keep the relevant staff informed of any updates on the Macau tax laws and regulations from time to time;
- (iii) our executive Directors are responsible for monitoring the updates of relevant rules and regulations, including but not limited to the applicable safety laws and regulations, and discussing with the project managers accordingly. External lawyers will be consulted for legal advice if necessary;
- (iv) we will engage a Macau tax expert to provide professional advice and assistance as to compliances in relation to the Macau tax laws on an ongoing basis, who shall notify us of any updates on rules and regulations regarding Macau tax;
- (v) we have improved our internal control framework by adopting a set of internal control policies and procedures in February 2017 as recommended by the Internal Control Consultant to prevent recurrence of non-compliance incidents. Such internal control measures include:
 - internal guideline and health and safety checklist are created to help site workers comply with relevant safety laws and regulations;
 - the project manager and safety officer will conduct site inspection from time to time to ensure compliance with relevant safety laws and regulations;
 - safety trainings covering, among others, safety laws and regulations will be provided to site workers on a regular basis;
 - our books and records will be prepared in accordance to Hong Kong Accounting Standards, which are materially similar to the accounting standards accepted by the local tax authority in Macau;
 - the tax computation and tax return will be prepared by the senior accounting clerk, reviewed by the senior finance manager and approved by chief financial officer;

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- the senior finance manager is responsible for ensuring submission of the tax returns before the filing deadline.
- (vi) we will continue to engage an internal control advisor after the Listing to review the adequacy and effectiveness of the internal control system; and
- (vii) the senior management will review our internal control policies and procedures at least annually in relation to the compliance or upon advisory by our executive Directors, external lawyers or Macau tax expert on any latest changes and updates on applicable laws and regulations.

Review by the Internal Control Consultant

In preparation of the Listing, we have engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform a review of our internal control system in January 2017 to identify findings and provide relevant recommendations to us. Upon completion of the internal control review in January 2017, the Internal Control Consultant has identified a number of findings which mainly related to insufficient details in certain of our formalised policies and procedures to reflect our operational, risk management and internal control practices. The Internal Control Consultant has conducted a follow-up review in May 2017 to assess whether we have implemented the internal control measures recommended and whether the deficiencies identified in the review have been rectified. No material internal control deficiencies were identified during the follow-up review. Based on the result of this follow-up review, we have demonstrated that we have implemented the internal control measures recommended by the Internal Control Consultant. The Directors are of the view that the enhanced internal control measures are adequate and effective for our operations.

View of the Directors and the Sole Sponsor

After making enquiries of our management, reviewing our internal control procedures and discussing with the Internal Control Consultant regarding our internal control over financial reporting, the Sole Sponsor is not aware of any reasons to disagree with our Directors’ view that our internal control system is adequate and effective under the Listing Rules.

After taking into consideration of (i) the facts and circumstances leading to the non-compliance incidents as disclosed above; (ii) the above rectification measures and internal control measures taken by us; and (iii) the non-compliance incidents were, individually and collectively, not material, and did not and will not have any significant financial and operational impact on our Group, our Directors are of the view, and the Sole Sponsor concurs, that the above non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules nor our suitability for listing under Rule 8.04 of the Listing Rules.

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RISK MANAGEMENT

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.

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

Operational risks

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

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 and lead our Group to pay liquidated damages and hence affect our profit or loss. Our project managers closely monitor the progress of each project and meet with our customers if necessary to inform them of the latest status. We plan the deployment of our labour and other resources accordingly. Our financial manager is responsible for maintaining sufficient liquidity and working capital use and report to our executive Directors to consider whether contingency plans are required.

Health and safety risk

We have adopted a working safety management system and an internal safety manual for our staff and we have engaged safety officers to ensure the safety regulations compliance of the project sites and to conduct regular internal safety inspections to ensure our operations are conducted in a manner so as to reduce the risks to persons and properties. Please refer to the paragraph headed "Occupational Safety" in this section for details.

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 project, we conduct internal assessment on our customer's payment history and its reputation in its industry to form a view on its credibility and financial strength and negotiate the credit terms;
- our accounting 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 financial manager prepares receivables ageing analysis for the presentation to our senior management and our senior management will review the recoverable amount and assess whether it is necessary to make any specific provisions.

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Please refer to the paragraph headed “Our Customers – Credit terms with customers” in this section for details.

Market risks

Our Group is exposed to market risks relating to changes in the social, political and economic conditions in Macau. Our Directors closely study the relevant economic data to reckon whether fitting-out or building construction projects would be more favoured so as to adjust our business strategies. 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.

Risk management

We have established a risk management system consisting of relevant policies and procedures that we believe are appropriate for our business operations, including monitoring our performance and taking active measures to manage our costs. 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 business operations. Moreover, our audit committee will review and supervise our financial reporting process and internal controls system. The audit committee consists of three members, namely Mr. Fan Chun Wah, Andrew, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun. For qualifications and experience of the members of the audit committee, please refer to the section headed “Directors and Senior Management” in this prospectus.

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

CORPORATE GOVERNANCE MEASURES

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 Controlling Shareholders – Corporate Governance Measures” in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), Space Investment will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the Company. Space Investment is owned as to 94.74% and 5.26% by Mr. Che and Ms. Lei, respectively. Ms. Lei is the mother of Mr. Che.

In light of Mr. Che and Ms. Lei having signed a confirmation confirming they are acting in concert with each other under the definition in the Takeovers Code, accordingly, (i) Mr. Che and Ms. Lei collectively as a group and (ii) Space Investment are regarded as the Controlling Shareholders.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on its businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

Financial independence

Our Group has an independent financial system and makes financial decisions according to its business needs. Our Group has sufficient capital to operate its business independently, and has adequate internal resources to support its day-to-day operations.

During the Track Record Period and up to the Latest Practicable Date, our Group had relied principally on shareholder's equity, cash generated from operations and bank borrowings to finance its business. Upon completion of the Share Offer, our Group expects that its operations will be financed mainly by the net proceeds from the Share Offer, internally generated funds and borrowings from financial institutions.

The non-trade related amounts due to or from our Controlling Shareholders and their respective close associates (other than members of our Group) will be fully settled prior to the Listing and there will be no outstanding loans to or from our Controlling Shareholders and their respective close associates (other than members of our Group) upon the Listing. The loan guarantees from our Controlling Shareholders and their respective close associates (other than members of our Group) will be released upon the Listing.

During the Track Record Period, other than the non-trade related amounts and loan guarantees as described above, the transactions with Nanli (Macau) Engineering Co., Ltd. ("**Nanli**"), the details of which are set out below, and the transactions set out in the sub-section headed "Discontinued Connected Transactions" below and the section headed "Connected Transaction" in this prospectus, there was no non-exempt connected transaction or continuing connected transaction which would be required to be disclosed pursuant to the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Listing Rules. There will also be no continuing connected transaction between our Group and our Controlling Shareholders, their respective close associates and connected persons of our Company upon Listing.

Operational independence

Sales, marketing and administrative functions relating to its business are carried out independently by our Group. Our Group has sufficient operational capacity in terms of capital, equipment and employees to operate its businesses independently of our Controlling Shareholders and their respective close associates (other than members of our Group).

Our Group has engaged Nanli as subcontractor for one of the Group's projects. Nanli is a company incorporated in Macau and owned as to 51% by Ms. Lei, an executive Director and one of our Controlling Shareholders, and is therefore a connected person as defined by the Listing Rules.

For each of the three years ended 31 December 2016, the subcontracting fee paid by our Group to Nanli amounted to nil, approximately MOP1.3 million and MOP14.8 million, respectively, representing 0%, approximately 0.4% and 4.1% of the total cost of sales of our Group, respectively, which is not material.

Nanli is a company engaged in the fitting-out business. At the end of 2015, Nanli was selected to carry out two separate subcontracting works for our Group after comparing quotations submitted by Nanli and other subcontractors. The two subcontracting works had been completed by the end of 2016. Since the subcontracting works only commenced at the end of 2015, the subcontracting fee paid by our Group to Nanli in 2015 was small when compared to the fee paid to Nanli in 2016.

As the contracts were awarded to Nanli by our Group pursuant to an invitation by quotation process where a number of quotations from different subcontractors were obtained, the contracts were under normal commercial terms, and were fair and reasonable.

Throughout the Track Record Period, Nanli only worked as subcontractor for our Group for two separate jobs. Our Group therefore does not rely on Nanli in terms of operation.

After the Listing, our Company will comply with the requirements under Chapter 14A of the Listing Rules for all future connected transactions, to the extent no waiver has been obtained from the Stock Exchange.

Management independence

Our Group's management and operational decisions are made by our Board and our senior management personnel. Our Board comprises three executive Directors and three independent non-executive Directors. Other than being the executive Directors, Mr. Che and Ms. Lei are also directors of Space Investment, which is one of our Controlling

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Shareholders. Space Investment is an investment holding company without operations other than holding the Shares for Mr. Che and Ms. Lei. Save as disclosed above, none of our Directors serves any executive or managerial role in Space Investment.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts in the best interest of our Group and not to allow any conflict between his/her duties as a Director and his/her personal interests. Our independent non-executive Directors all have extensive experience in different fields and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors with different backgrounds provides a balance of views and opinions. Please refer to the section headed “Directors and Senior Management – Board of Directors” in this prospectus for the background of the Directors. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director will have any decision making power unless otherwise authorised by our Board.

In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and any of our Directors or their respective close associates (other than members of the Group), the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum. Furthermore, in the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and any of Mr. Che and Ms. Lei or their respective close associates (other than members of our Group), all of Mr. Che and Ms. Lei shall abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum. In case all of Mr. Che, Ms. Lei and Mr. Wan are required to abstain from voting at the Board meeting due to potential conflict of interests, the three independent non-executive Directors will be able to form a quorum to ensure that the decisions of the Board are made after due consideration of independent and impartial opinions. Given the experience of our independent non-executive Directors, details of which are set out in the section headed “Directors and Senior Management – Board of Directors – Independent non-executives Directors” in this prospectus, our Company believes that the remaining Board can still function properly in the event that all of Mr. Che, Ms. Lei and Mr. Wan are required to abstain from voting.

In addition, our Group has a senior management team independent of our Controlling Shareholders and the backgrounds of the senior management personnel are set out in the section headed “Directors and Senior Management – Senior Management” in this prospectus. None of the senior management personnel serves any executive or managerial role in Space Investment.

In view of the aforesaid, our Directors are of the view that the management independence is upheld despite Mr. Che and Ms. Lei also serving as directors of Space Investment.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RULE 8.10 OF THE LISTING RULES

Ms. Lei, our executive Director and one of our Controlling Shareholders, owns a 51% interest in Nanli (the remaining 49% is owned by an Independent Third Party), a company incorporated at the request of the Independent Third Party to explore business opportunities in Macau. It was invited by our Group to submit quotations for two separate subcontracting works for a project of our Group in 2015. After completion of these two subcontracting works, Nanli has not carried out and will not carry out any further business in Macau. Ms. Lei has entered into the Deed of Non-competition pursuant to which Ms. Lei undertakes that she will not carry out any business which competes against our Group. Details of the Deed of Non-competition are set out in the section headed “Deed of Non-competition” below.

Ms. Lei also owns a 94.8% interest in Bo Ngai Engineering Co., Ltd., a company incorporated in Macau. This company used to carry out fitting out business in Macau. It has ceased operation before commencement of the Track Record Period. This company being controlled by Ms. Lei is also subject to the Deed of Non-competition as described above.

Mr. Wan, our executive Director, owns a 100% interest in Ming Sang Engineering Limited, a company which is incorporated in Hong Kong and was in the business of fitting-out works in Hong Kong. This company did not carry out any business throughout the Track Record Period and up to the Latest Practicable Date. Application has been made for the deregistration of Ming Sang Engineering Limited. Mr. Wan also owned approximately 90.5% interest in Situ – Minsang Engineering Limited, a company which is incorporated in Macau and was engaged in the business of fitting out in Macau. This company did not have any business during the Track Record Period and up to the Latest Practicable Date. Mr. Wan has also disposed of all his interest in Situ – Minsang Engineering Limited to an Independent Third Party before the Listing.

Mr. Che, our executive Director and one of our Controlling Shareholders, also has interests in other businesses which are operated through companies owned and/or controlled by Mr. Che.

Mr. Che has a 30% or more interest in 42 Macau companies which carry out business including property investment, yacht investment and related business, and as event organizer. Mr. Che also owns a one third interest in two BVI companies which are holding companies. None of these companies compete or is likely to compete, directly or indirectly with our Group’s business.

Heng Yu Engineering* (恒宇工程) is a sole proprietorship established under the laws of Macau and owned by Mr. Che. Its permitted business scope includes electrical and plumbing works and fitting out works. Heng Yu Engineering* has not carried out any business during the Track Record Period and up to the Latest Practicable Date, and Mr. Che has confirmed that Heng Yu Engineering* will not carry out any business in the future. Mr. Che and the companies which are close associates of Mr. Che are also subject to the Deed of Non-competition.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In view of the aforesaid, our Controlling Shareholders, our Directors and their respective close 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.

DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into certain transactions with our Connected Persons which constitute connected transactions within the meaning of the Listing Rules but which will not continue after Listing.

Subcontracting Agreements between Space Construction and Nanli

On 3 February 2015, Space Construction entered into a subcontracting agreement (the "**First Subcontracting Agreement**") with Nanli, a company owned as to 51% by Ms. Lei, an executive Director and one of our Controlling Shareholders, and therefore an associate of Ms. Lei and a Connected Person, pursuant to which Nanli agreed to provide restaurant fit-out services as a subcontractor to Space Construction in relation to one project for a consideration of approximately MOP7.0 million. The related works had been completed before the end of 2016.

On 3 February 2015, Space Construction entered into another subcontracting agreement (the "**Second Subcontracting Agreement**") with Nanli, pursuant to which Nanli agreed to provide restaurant fit-out services as a subcontractor to Space Construction in relation to the same project for a consideration of approximately MOP14.6 million. The related works had been completed before the end of 2016.

For each of the three years ended on 31 December 2016, the aggregate amount of subcontracting fees paid to Nanli under the First Subcontracting Agreement and the Second Subcontracting Agreement were nil, approximately MOP1.3 million and approximately MOP14.8 million, respectively.

As disclosed in the section headed "Relationship with Controlling Shareholders – Independence from the Controlling Shareholders – Operational independence", the contracts were awarded to Nanli pursuant to an invitation by quotation process, and the contracts were under normal commercial terms and were fair and reasonable.

Provision of fitting out services to China Profit Investment Limited

On 3 March 2015, China Profit Investment Limited, a company owned as to 33% by Mr. Che, an executive Director and one of our Controlling Shareholders, and therefore an associate of Mr. Che and a Connected Person, accepted a quotation submitted by Space Construction pursuant to which Space Construction agreed to provide office fitting out services. The related works had been completed before the end of 2015.

We received revenue in the sum of MOP763,000 in 2015 under this agreement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors confirm that the terms of this agreement are determined with reference to the prices and terms normally offered by Space Construction to Independent Third Party customers and are no more favourable than those offered by Space Construction to its other Independent Third Party customers.

Disposal of a vehicle to Tianzheng Investment Development Co., Ltd* (天正投資發展有限公司)

During the Track Record Period, Space Construction disposed of a vehicle to Tianzheng Investment Development Co., Ltd* (天正投資發展有限公司) for a consideration of HK\$473,000 (equivalent to MOP487,190) in 2016.

Tianzheng Investment Development Co., Ltd* (天正投資發展有限公司) is a company owned as to 95% by a sister of Mr. Che, and is therefore an associate of a family member of Mr. Che, and is a Connected Person.

The consideration is determined based on the net book value of the vehicle. Our Directors are therefore of the view that the disposal was under normal commercial terms which were fair and reasonable.

Sale of a property by Space Construction to Mr. Che

On 27 April 2017, Space Construction entered into a provisional sale and purchase agreement with Mr. Che pursuant to which Space Construction agreed to sell a property situated at Rua Das Estalagens No.112-112B, Meng Yu Rés-do-chão A in Macau to Mr. Che for a consideration of HK\$40,000,000 (approximately MOP41,200,000). The property was held as an investment property. As property investment is not the business of our Group, our Group decided to dispose of the property to Mr. Che.

As the consideration payable to our Group is in line with the value of the property as assessed by an independent valuer, details of which are set out in “Appendix III – Property Valuation” of this prospectus, our Directors consider that the transaction was fair and reasonable and on normal commercial terms.

The transaction was completed in July 2017.

Purchase of certain properties by Space Construction from Mr. Che

On 25 April 2017, Space Construction entered into four provisional sale and purchase agreements with Mr. Che pursuant to which Space Construction agreed to purchase certain properties situated at Coloane, Rua Do Caetano No. 23, 25-27, 32 and 34 in Macau for an aggregate consideration of HK\$81,500,000 (approximately MOP83,945,000).

As the consideration payable by our Group is in line with the value of the property as assessed by an independent valuer, details of which are set out in “Appendix III – Property Valuation” of this prospectus, our Directors consider that the transaction was fair and reasonable and on normal commercial terms.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The transaction was completed on 15 November 2017. Our Company purchased the properties because the location of the properties are in close proximity to our Company's target customers. The properties are intended to be used as offices.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for each of its subsidiaries from time to time), under which (i) Mr. Che and Ms. Lei collectively and (ii) Space Investment have undertaken to our Company that they shall not, and shall procure that none of their respective close associates (other than members of our Group) shall, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes, or is likely to compete with the business engaged by our Group from time to time (the "**Restricted Business**").

The Deed of Non-competition does not apply to the relevant Controlling Shareholder in the circumstances where it/he/she has:

- (a) any interest in the shares of any member of our Group; or
- (b) interest in the shares of a company other than our Group provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating to any Restricted Business) accounts for less than 5% of that company's consolidated sales or consolidated assets, as shown in that company's latest audited accounts; and
 - (ii) the total number of shares held by our Controlling Shareholders and their respective close associates (other than members of our Group) in aggregate does not exceed 5% of the issued shares of that class of the company in question and our Controlling Shareholders and their respective close associates (other than members of our Group) are not entitled to appoint a majority of the directors of that company.

The "**Restricted Period**" stated in the Deed of Non-competition refers to the period during which:

- (a) the Shares remain listed on the Stock Exchange;
- (b) either our Controlling Shareholders and their respective close associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company; or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) any of our Controlling Shareholders or their respective close associates remains as a director of any member of our Group.

(i) Mr. Che and Ms. Lei collectively and (ii) Space Investment have further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to our Controlling Shareholders and/or any of their respective close associates (other than members of our Group) (the “**Offeror**”) shall first be referred to our Group in the following manner:

- (a) our Controlling Shareholders are required to, and shall procure their respective close associates (other than members of our Group) to, promptly refer, or procure the referral of, the New Opportunity to our Group, and shall promptly give written notice to our Company of any New Opportunity containing all information reasonably necessary for our Group to consider whether (i) the New Opportunity would constitute competition with the business of our Group and/or any other new business which our Group may undertake at the relevant time; and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”); and
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from our Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of our Group; or (ii) the Offeror has not received the notice from our Company within 10 business days from our Company’s receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror shall refer the New Opportunity as so revised to our Group in the manner as set out above.

Upon receipt of the Offer Notice, our Company will seek opinions and decisions from a committee of our Board consisting of our independent non-executive Directors as to whether (a) the New Opportunity would constitute competition with the business of our Group; (b) it is in the interest of our Company and our Shareholders as a whole to take up the New Opportunity; and (c) to take up or decline the New Opportunity.

With a view to avoiding competition of businesses between our Group and our Controlling Shareholders, our independent non-executive Directors will, at least on an annual basis, review the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders and the results of such review will be included in our Company’s annual reports.

(i) Mr. Che and Ms. Lei collectively and (ii) Space Investment have further jointly and severally undertaken to promptly:

- (a) provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the terms of the Deed of Non-competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) allow, subject to confidentiality restrictions imposed by any third party, the representatives, the auditors and (if necessary) the compliance adviser of our Company to have access to its/his/her business, financial and/or corporate records as may be necessary for our independent non-executive Directors to determine whether our Controlling Shareholders and their respective close associates (other than members of our Group) have complied with the terms of the Deed of Non-competition;
- (c) make an annual declaration in our Company's annual report on compliance with and enforcement of the terms of the Deed of Non-competition in accordance with the Listing Rules; and
- (d) address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or the Company from time to time.

Our Controlling Shareholders, for themselves and on behalf of their respective close associates (other than members of our Group), have acknowledged that our Company may be required by the relevant laws, and the rules and regulations of the stock exchange(s) on which the Shares may be listed and the regulatory bodies in effect from time to time to:

- (a) disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in our Company's annual reports or announcements the decision of our independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline, and our Controlling Shareholders have agreed to the disclosure to the extent necessary to comply with any such requirement; and
- (b) comply with such further legal or regulatory requirements in connection with the Deed of Non-competition and our Controlling Shareholders have agreed to do all such acts to facilitate our Company to comply with the same.

(i) Mr. Che and Ms. Lei collectively and (ii) Space Investment have jointly and severally undertaken that it/he/she will not, and will procure its/his/her respective close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholders' knowledge, as at the date of the Deed of Non-competition, is or has been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or higher) of any member of our Group.

(i) Mr. Che and Ms. Lei collectively and (ii) Space Investment have further jointly and severally undertaken that it/he/she will not, and will procure its/his/her respective close associates not to, exploit its/his/her knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that it/he/she fully comprehends its/his/her obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (a) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their respective close associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (b) our Controlling Shareholders will make an annual confirmation as to compliance with its/his/her undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (c) our Board is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that our Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management – Board of Directors – Independent non-executive Directors” in this prospectus;
- (d) our Company has appointed CLC International Limited as its compliance adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the section headed “Directors and Senior Management – Compliance Adviser” in this prospectus for further details in relation to the appointment of the compliance adviser;
- (e) (i) Mr. Che and Ms. Lei collectively and (ii) Space Investment 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

our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions made in relation to whether to pursue the New Opportunity under the Deed of Non-competition. Findings of such review will be disclosed in the annual report of our Company.

CONNECTED TRANSACTION

ONE-OFF TRANSACTION WITH TIN SUM DEVELOPMENT CO. LTD. (“Tin Sum”)

On 28 July 2015, Space Construction entered into a contract with Tin Sum for structural engineering works in relation to a yacht club in Macau. The contract amount is approximately MOP2.4 million. The works have commenced in May 2017.

The contract was awarded to Space Construction pursuant to an invitation by quotation where a number of quotations were obtained. The contract is under normal commercial term and is fair and reasonable.

The other salient terms of the contract are set out as follows:

Duration of works	The engineering works to be completed within 60 calendar days, commencing on a date being three days after the work commencement notice is issued by Tin Sum.
Payment term	Tin Sum shall pay 20% of the contract sum three days after the signing of the contract. Space Construction should submit monthly progress report to Tin Sum. Payment for the relevant works set out in the progress report and approved by Tin Sum will be paid to Space Construction, subject to a deduction of 10% as retention money, until the total retention money withheld amounts to 5% of the total contract value.
Retention money	Out of the 5% retention money, 2.5% will be released to Space Construction one week after the final accounts submitted by Space Construction is approved by Tin Sum and signed by both parties. The remaining 2.5% will be released to Space Construction 12 months later.

As at the Latest Practicable Date, Tin Sum has paid HK\$1 million to Space Construction, being 42.9% of the total contract amount.

Listing Rules implications

Tin Sum is beneficially owned as to 79.9% by Mr. Che, and is therefore an associate of Mr. Che and a Connected Person. The transaction with Tin Sum therefore constitutes a connected transaction under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transaction under the contract with Tin Sum are less than 5% and the total consideration is less than HK\$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such connected transaction constitutes a de minimis transaction and is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that there are any material changes to the terms and conditions of such contract, we shall comply with Chapters 14 and 14A of the Listing Rules (as the case may be) in respect of such contract (as amended) as and when appropriate, including, where required, seeking independent Shareholders' approval prior to effecting such changes.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors consists of six Directors, of whom three are executive Directors and three are independent non-executive Directors. Our Board is responsible for and has general powers on the management and conduct of our business. The following table sets forth certain information of our Directors as at the Latest Practicable Date.

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Role and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Che Chan U (謝鎮宇)	36	Chairman and Executive Director	21 November 2007	24 April 2017	Overall management, strategic planning and business development	Son of Ms. Lei Soi Kun
Ms. Lei Soi Kun (李瑞娟)	59	Executive Director	1 March 2010	24 April 2017	Overall management of the Group's administrative matters	Mother of Mr. Che Chan U
Mr. Wan Yee Sang (溫宜生)	54	Executive Director	12 July 2013	24 April 2017	Overall management of the Group's business development and operation	None
Mr. Fan Chun Wah, Andrew (范駿華)	39	Independent non-executive Director	20 December 2017	20 December 2017	Overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company	None
Mr. Eulógio dos Remédios, José António (李秉鴻)	40	Independent non-executive Director	20 December 2017	20 December 2017	Overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company	None
Ms. Leong Iat Lun (梁逸鸞)	43	Independent non-executive Director	20 December 2017	20 December 2017	Overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company	None

Executive Directors

Mr. Che Chan U (謝鎮宇), aged 36, was appointed as our Director on 24 April 2017 and was re-designated as chairman and executive Director of our Group on 20 December 2017. Mr. Che is responsible for the Group's overall management, strategic planning and business development. He is also the Chairman of the nomination committee. As the founder of our Group, Mr. Che has over 10 years of experience in fitting out industry. Mr. Che is also the director of Space Group, Space Construction, Space Oriental and Minsang Oriental.

Mr. Che graduated in June 2004 from the National Taiwan University with the degree of Bachelor of Science in Engineering. In June 2015, he became a member of the IPlantE Professional Sector, a professional sector of the Society of Operations Engineers. He was registered as a Chartered Building Engineer and was elected a member of the Chartered

DIRECTORS AND SENIOR MANAGEMENT

Association of Building Engineers on 31 March 2017. He is a registered Civil Engineer with the Land, Public Works and Transport Bureau of the Macao Special Administrative Region since 2006. He is the son of Ms. Lei.

Mr. Che was previously a director of the companies shown in the table below which were dissolved (but not by way of member's voluntary winding-up) due to cessation of business:

Name of the company	Place of incorporation	Date of dissolution	Nature of proceeding	Nature of business
Energy Inno Group Ltd.	Macau	2 December 2014	Shareholders' resolution <i>(Note 1)</i>	Real estate, property management, travel agencies, bars, investment
China Profit Investment Limited	Macau	23 April 2015	Shareholders' resolution <i>(Note 1)</i>	Exhibition planning, organizing exhibition activities, public relations
Space & Yiu Cheong Construction Engineering Co., Ltd	Macau	28 December 2016	Shareholders' resolution <i>(Note 1)</i>	Renovation
China Profit Mortgage Limited	Hong Kong	1 December 2017	Deregistration <i>(Note 2)</i>	Mortgage referral & business consulting services

Note 1: According to the Commercial Code of Macau and advised by our Macau Legal Advisers, when a company applies for de-registration voluntarily by shareholders' resolution, the company is required to be solvent.

Note 2: Under section 750(2) of the Companies Ordinance, an application for deregistration can only be made if (a) all members agree to the deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the 3 months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Che confirmed that the above companies were solvent immediately prior to its dissolution and there were no actual or potential claims made in respect of each of the companies.

Ms. Lei Soi Kun (李瑞娟), aged 59, is our executive Director. Ms. Lei was appointed as our Director on 24 April 2017 and redesignated as executive Director on 20 December 2017. She is responsible for the overall management of the Group's administrative matters. She is also a member of the nomination committee.

Ms. Lei has over 20 years of experience in fitting-out industry. From 1976 to 1990, she was an administrative clerk at Macau Fuhe Construction Property Co., Ltd* (澳門福和建築置業有限公司). She was a real estate agent and assisted her clients with renovation works from 1990 to 1993. Prior to joining our group in 2009, Ms. Lei has been the Director of Bo Ngai Engineering Co., Ltd, a company which carried out fitting-out business in Macau. Ms. Lei then joined our group as a director in 2010 and has been handling our Group's administrative matters. In 2014, Ms. Lei also became the director of Nanli which is also engaged in fitting-out business. Ms. Lei has confirmed that both Bo Ngai Engineering Co., Ltd and Nanli will not carry out any fitting-out business in the future. Ms. Lei, Bo Ngai Engineering Co., Ltd and Nanli are also subject to the Deed of Non-competition. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Rule 8.10 of the Listing Rules". She is the mother of Mr. Che.

Mr. Wan Yee Sang (溫宜生), aged 54, is our executive Director. Mr. Wan was appointed as our Director on 24 April 2017 and redesignated as executive Director on 20 December 2017 and is mainly responsible for the overall management of the Group's business development and operation. He is also a member of the remuneration committee.

Mr. Wan obtained a Bachelor of Science in Building from the City University of Hong Kong (formerly the City Polytechnic of Hong Kong) in November 1989. Mr. Wan has over 20 years' experience in fitting-out industry for various types of buildings. Mr. Wan is currently the director of Minsang Oriental and Space Oriental with the principal activity of providing fitting-out services. From 1989 to 1993, he was a planning engineer at Gammon Construction Ltd. From 2007 to 2011, he was the Director of Situ-Minsang Engineering Limited. From 2009 to 2011, Mr. Wan was the Director of Ming Sang (H.K.) Engineering Limited in Hong Kong and was involved in various fitting out and renovation projects including for an amusement park in Hong Kong. From 2009 to 2014, he was a Director and shareholder of Minsang Oriental Pte. Ltd. While holding the posts for Situ-Minsang Engineering Limited and Minsang Oriental Pte. Ltd, he was involved in various fitting out projects for hotel casinos in Macau and Singapore.

He was previously a director of the following companies, which were dissolved (but not by way of member's voluntary winding-up) due to cessation of business, with details as follows:

DIRECTORS AND SENIOR MANAGEMENT

Name of Company	Place of incorporation	Date of dissolution	Nature of proceeding	Nature of business before dissolution
Mon Kee Metalwork Limited	Hong Kong	16 September 2011	Deregistration <i>(Note 1)</i>	Iron works
Ming Sang (H.K.) Engineering Limited	Hong Kong	25 November 2011	Deregistration <i>(Note 1)</i>	Construction works
Eversmart Marketing Information Limited	Hong Kong	31 October 2014	Deregistration <i>(Note 2)</i>	Online system
Ming Sang (Macau) Engineering Limited	Macau	16 May 2011	Shareholders' resolution <i>(Note 3)</i>	Renovation

Note 1: Under section 291AA of the predecessor companies ordinance (currently renamed as Companies (Winding Up and Miscellaneous Provisions) Ordinance), an application for deregistration can only be made if (a) all 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 three months immediately before the application; and (c) such company has no outstanding liabilities.

Note 2: Under section 750(2) of the Companies Ordinance, an application for deregistration can only be made if (a) all members agree to the deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the 3 months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Note 3: According to the Commercial Code of Macau and advised by our Macau Legal Advisers, when a company applies for de-registration voluntarily by shareholders' resolution, the company is required to be solvent.

Mr. Wan confirmed that the above companies were solvent immediately prior to its dissolution and there were no actual or potential claims made in respect of each of the companies.

Independent non-executive Directors

Mr. Fan Chun Wah, Andrew JP (范駿華太平紳士), age 39, was appointed as an independent non-executive Director on 20 December 2017 and is mainly responsible for overseeing the management independently and providing independent judgment 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 the nomination committee. Mr. Fan received the Bachelor of Business Administration in Accounting and Finance from the University of Hong Kong in December 1999 and the Bachelor of Laws from University of London as an external student in August 2007. In January 2003 and September 2011, Mr. Fan was admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) and a fellow member of the Association of Chartered Certified Accountants respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fan has over 18 years of experience in accounting and compliance. He joined PricewaterhouseCoopers from September 1999 to November 2004 with his last position as Manager. Mr. Fan has been the managing director of C.W. Fan & Co. Limited since November 2013 and the managing partner of C.W. Fan & Co. since January 2006. Mr. Fan was, or has been, a director of the following companies in the last three years preceding the Latest Practicable Date:

Period of services	Name of the listed companies	Principal business activities	Position	Responsibilities
February 2009 – March 2014	CIG Yangtze Ports PLC, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8233)	Investment in and development, operation and management of container ports	Independent non-executive Director	Board oversight and independent management
March 2013 – July 2015	Milan Station Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1150)	Retail of handbags, fashion accessories and embellishments	Independent non-executive Director	Board oversight and independent management
January 2013 to present	Chuang's China Investments Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0298)	Property investment and development in Hong Kong and Mainland China	Independent non-executive Director	Board oversight and independent management
March 2013 to December 2016	LT Commercial Real Estate Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0112)	Property development, property investment, securities investment, and finance activities in Hong Kong, Mainland China, and the US	Independent non-executive Director	Board oversight and independent management

DIRECTORS AND SENIOR MANAGEMENT

Period of services	Name of the listed companies	Principal business activities	Position	Responsibilities
March 2014 to present	Sinomax Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1418)	Marketing, manufacture, and distribution of visco-elastic health and wellness products	Independent non-executive Director	Board oversight and independent management
November 2014 to present	Fulum Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1443)	Operation of full-service restaurant chain serving Cantonese cuisine in Hong Kong and in the PRC	Independent non-executive Director	Board oversight and independent management
April 2015 to present	Culturecom Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0343)	Publishing comic books and provision of media content in Hong Kong, Mainland China, and Macau	Independent non-executive Director	Board oversight and independent management
July 2015 to May 2017	Hong Kong Resources Holdings Company Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2882)	Retail and franchise of gold and jewellery products in Mainland China, Hong Kong, and Macau	Independent non-executive Director	Board oversight and independent management
September 2015 to August 2016	On Real International Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8245)	Design and manufacturer of two-way radio product	Independent non-executive Director	Board oversight and independent management

DIRECTORS AND SENIOR MANAGEMENT

Period of services	Name of the listed companies	Principal business activities	Position	Responsibilities
January 2016 to present	Namson Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1982)	Knitwear manufacturer	Independent non-executive Director	Board oversight and independent management
June 2017 to present	Omnibridge Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8462)	Human resources outsourcing and recruitment services	Independent non-executive Director	Board oversight and independent management

Mr. Eulógio dos Remédios, José António (李秉鴻), aged 40, was appointed as an independent non-executive Director on 20 December 2017 and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. He is also the chairman of the remuneration committee and a member of the audit and nomination committees. Mr. Eulógio dos Remédios obtained a Diploma in public relations from the Instituto Politécnico de Macau in 2002. He later obtained a Bachelor's degree in Law from the University of Macau in 2007. In July 2011, Mr. Eulógio dos Remédios became a lawyer under the Associação dos Advogados de Macau.

Mr. Eulógio dos Remédios has almost 10 years of experience in law. He was a trainee-lawyer at Jorge Neto Valente Lawyers and Notaries from October 2007 to April 2010 and is a lawyer at the same law firm from July 2011 to present. From August 2012 to June 2013, Mr. Eulógio dos Remédios was also a part-time lecturer at the University of Macau.

Ms. Leong Iat Lun (梁逸鸞), age 43, was appointed as an independent non-executive Director on 20 December 2017 and is responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. She is also a member of the audit, remuneration and nomination committees. Ms. Leong obtained a Bachelor's degree in Clinical Medicine from Shantou University Medical College, China, in June 2000. In April 2007, Ms. Leong obtained her Master of Laws from the Macau University of Science and Technology. In 2012, Ms. Leong obtained a Master's degree in Applicable Psychology from the South China Normal University in Guangdong. Ms. Leong obtained her Master's degree in Surgery from Jinan University, China, in June 2014. Ms. Leong holds a medical license issued by the Macau Health Bureau since 2002 and a medical license issued by the People's Republic of China since 2004. In 2009, she obtained a Diploma of General Surgery issued by the People's Republic of China.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Leong has more than 16 years of experience in medicine. She joined Kiang Wu Hospital Charitable Association from December 2000 to January 2009 with her last position as an Attending Doctor in the Surgical Department. From May 2007 to November 2007, she completed training at the Breast Disease Centre of Kwong Wah Hospital in Hong Kong. Ms. Leong is also currently a clinical instructor and an associate doctor specializing in breast surgery at the Macau University of Science and Technology Foundation.

Ms. Leong was previously a director of the company shown in the table below which was dissolved by way of shareholders' resolution:

Name of the company	Place of incorporation	Date of dissolution	Nature of proceeding ^(Note)	Nature of business
Excellent Quality Biotechnology Ltd (真優生物科技有限公司)	Macau	7 March 2017	Shareholders' resolution	Nutrition and health care products

Note: According to the Commercial Code of Macau and advised by our Macau Legal Advisers when a company applies for de-registration voluntarily by shareholders' resolution, the company is required to be solvent.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirmed with respect to himself or herself that: (i) he or she is independent from and had no other relationships with any Directors, members of our senior management, Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; (ii) apart from our Company, in the last three years leading up to and as at the Latest Practicable Date, he or she is not holding, nor had he or she held directorships in any other public company the securities of which are listed on any securities market in Hong Kong and/or overseas; (iii) he or she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (iv) he or she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraph headed "Further Information about Directors and Shareholders – 1. Directors – (d) Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations." in Appendix V to this prospectus; (v) he or she does not have any interests in any business which competes or may compete, directly or indirectly, with us, which is disclosable under the Listing Rules, save as disclosed in the section headed "Relationship with the Controlling Shareholders" of this prospectus; and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matters with respect to their appointments that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth certain information of our senior management as at the Latest Practicable Date:

Name	Age	Position	Roles and Responsibilities	Date of joining our Group
Mr. Ho Kwong Yu (何光宇)	32	Company Secretary & Chief Financial Officer	overall management of financial matters and the company secretarial matters of our Group	7 April 2017
Mr. Lao Chi Wai (劉志偉)	31	Senior Project Manager	overall management of the Group's fitting-out and construction projects	10 August 2016
Mr. Ho King To (何景滔)	37	Senior Finance and Accounting Manager	finance and accounting matters	10 August 2013

Our senior management is responsible for the day-to-day management of our business.

Mr. Ho Kwong Yu (何光宇), aged 32, is the company secretary and chief financial officer and is mainly responsible for overall management of financial matters and company secretarial matters of our Group. Mr. Ho has over 9 years of audit, accounting and financial management experience. He is our Group's Company Secretary.

Mr. Ho obtained his Bachelor of Business Administration (Major in Professional Accountancy) from the Chinese University of Hong Kong in 2008. He is also a member of The Hong Kong Institute of Certified Public Accountants.

From January 2008 to February 2015, Mr. Ho worked at Deloitte Touche Tohmatsu and his last position held was manager in the audit department. From February 2015 to May 2015, Mr. Ho was an internal audit manager at Cosco Shipping International (Hong Kong) Co., Ltd. (formerly named as Cosco International Limited) (Stock Code: 517) and was responsible for conducting internal audit. His last position prior to joining our group was chief financial officer and company secretary of Creative China Holdings Limited (Stock Code: 8368) where he was responsible for accounting, financial management and company secretarial matters.

Mr. Lao Chi Wai (劉志偉), aged 31, is the senior project manager. He joined us on 10 August 2016 and is mainly responsible for overall management of the Group's fitting-out and construction projects. Mr. Lao obtained his Bachelor of Science Engineering from the National Central University in June 2009. He is a registered Civil Engineer with the Land, Public Works and Transport Bureau of Macau since 2010.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lao has 6 years' experience as an engineer in the engineering industry. From August 2009 to May 2013, he was employed at Best Engineering Ltd. with his last position as construction project manager. Between March 2013 to December 2014, Mr. Lao was employed as a Project Director at ProudRight Design and Engineering Ltd. Mr. Lao's last position from November 2015 to August 2016 prior to joining the Group was as Project Manager with Nanli. Mr. Lao is also a registered construction safety supervisor in Macau.

Mr. Ho King To (何景滔), aged 37, is the senior finance and accounting manager. He joined us on 10 August 2013 and is mainly responsible for finance and accounting matters. Mr. Ho has 8 years of clerical experience and 3 years of accounting experience. From July 2005 to August 2013, he was employed by Café de Coral Holdings Limited as a General Clerk in the strategic business unit.

Mr. Ho obtained his Advanced Diploma in Accounting from the University of Hong Kong School of Professional and Continuing Education in October 2012. He obtained his Bachelor of Accounting from the University of Canberra through a part-time program co-organized with the Hong Kong Baptist University School of Continuing Education in September 2016.

Save as disclosed above, each of the members of our senior management confirmed with respect to himself and herself that: (i) as at the Latest Practicable Date, he or she had no interests in our Shares with the meaning of Part XV of the SFO; (ii) he or she did not have any relationships with any Directors, members of our senior management, Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; and (iii) he or she did not hold any directorships in any other public company the securities of which were listed on any securities market in Hong Kong and/or overseas in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Ho Kwong Yu (何光宇) was appointed as the company secretary of our Company on 16 May 2017. He is one of the senior management of our Company. Please refer to the paragraph headed "Senior management" above for details of his qualifications.

BOARD COMMITTEES

We have established the following committees under the Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by the Board.

Audit committee

Our Company established an audit committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Board passed on 20 December 2017 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and provide

DIRECTORS AND SENIOR MANAGEMENT

advice in respect of financial reporting and oversee the internal control procedures of our Group. The audit committee comprises Mr. Fan Chun Wah, Andrew, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun, all being Independent non-executive Director. Mr. Fan Chun Wah, Andrew is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of our Directors passed on 20 December 2017 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the remuneration committee of our Company are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. The remuneration committee comprises Mr. Wan Yee Sang, Mr. Eulógio dos Remédios José António and Ms. Leong Iat Lun. Mr. Eulógio dos Remédios José António is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 20 December 2017 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee of our Company include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors. The nomination committee comprises Mr. Che Chan U, Ms. Lei Soi Kun, Mr. Fan Chun Wah, Andrew, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun. Mr. Che Chan U is the chairman of the nomination committee.

REMUNERATION POLICY

Our Directors and senior management receive remuneration, including salaries, retirement scheme contributions, benefits in kind and discretionary incentives with reference to salaries paid by comparable companies, time commitment and the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group.

The aggregate amount of remuneration including salaries, contributions to retirement schemes and discretionary bonuses which was paid by our Company to the five highest paid individuals for the years ended 31 December 2014, 2015 and 2016 were approximately MOP3.9 million, MOP5.5 million and MOP4.4 million respectively.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration including salaries, contributions to retirement schemes and discretionary bonuses which was paid to our Directors for the years ended 31 December 2014, 2015 and 2016 were approximately MOP1.7 million, MOP1.3 million and MOP1.4 million respectively. None of our Directors waived any remuneration during the aforesaid periods.

After Listing, the remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to their responsibilities, work load, the time devoted to our Group, and the performance of our Group. After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

Save as disclosed in this section and in the section headed “Further Information about Directors and Shareholders – 1. Directors – (c) Directors Remuneration” in Appendix V to this Prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended 31 December 2014, 2015 and 2016.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any office in connection with the management of the affairs of any members of our Group.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 20 December 2017 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the section headed “Other Information – 1. Share Option Scheme” in Appendix V to this prospectus.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed CLC International Limited as its compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis 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 Share Offer in a manner different from that detailed in the listing document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and

DIRECTORS AND SENIOR MANAGEMENT

- (4) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-Allotment Option or any option which may be granted under the Share Option Scheme), the following person will have an interest or short position in the Shares and 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 is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of interest	As at the Latest Practicable Date		Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-Allotment Option or any option which may be granted under the Share Option Scheme)	
		Number of Shares	Percentage of shareholding	Number of Shares ^(Note 1)	Percentage of shareholding
Space Investment	Beneficial owner ^(Note 2)	190	95%	541,500,000 (L)	71.25%
Mr. Che	Interest in a controlled corporation ^(Note 2)	190	95%	541,500,000 (L)	71.25%
Ms. Lei	Interest in a controlled corporation ^(Note 2)	190	95%	541,500,000 (L)	71.25%
Ms. Ng	Interest of Spouse ^(Note 3)	190	95%	541,500,000 (L)	71.25%

Notes:

- The letter "L" denotes the long position (as defined under Part XV of the SFO) in such Shares.
- Space Investment is beneficially owned as to 94.74% by Mr. Che and 5.26% by Ms. Lei. Mr. Che and Ms. Lei together control all the Shares held by Space Investment.
- Ms. Ng is the spouse of Mr. Che. Ms. Ng is deemed to be interested in the same number of Shares in which Mr. Che is interested by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, none of our Directors is aware of any other person who will, immediately following the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option, have an interest or short position in the Shares or underlying Shares which would be fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. None of our Directors is aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL

The authorised share capital of our Company is as follows:

Authorised share capital

	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000</u>

The issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid

	<i>HK\$</i>
200 Shares in issue as at the Latest Practicable Date	2
569,999,800 Shares to be allotted and issued pursuant to the Capitalisation Issue	5,699,998
<u>190,000,000</u> Shares to be allotted and issued pursuant to the Share Offer	<u>1,900,000</u>
<u>760,000,000</u>	<u>7,600,000</u>

If the Over-allotment Option is exercised in full, then 28,500,000 additional Shares will be issued, resulting in a total enlarged issued share capital of HK\$7,885,000 divided into 788,500,000 Shares of HK\$0.01 each.

MINIMUM PUBLIC FLOAT

At least 25% of the total number of issued Shares must at all times be held by the public. The 190,000,000 Offer Shares represent 25% of the issued share capital of our Company upon the Listing.

RANKING

The Offer Shares will rank equally with all Shares in issue or to be issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Capitalisation Issue and Share Offer (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the repurchase mandate as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of Over-allotment Option or options granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this general mandate will not be reduced by the allotment and issue of such Shares.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – Information about our Company – 3. Resolutions in writing of the Shareholders passed on 20 December 2017” in Appendix V 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 a total nominal value of not more than 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Share which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are 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 “Information about our Company – 6. Securities repurchase mandate” in Appendix V to this prospectus.

The general mandate to issue Shares and repurchase Shares will respectively expire:

- (a) at the conclusion of the next annual general meeting of our Company;
- (b) at the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; or

SHARE CAPITAL

- (c) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of these general mandates, please refer to the sections headed “Information about our Company – 3. Resolutions in writing of the Shareholders passed on 20 December 2017” and “Information about our Company – 6. Securities repurchase mandate” in Appendix V to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the section headed “Other Information – 1. Share Option Scheme” in Appendix V 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 meeting or class meeting. 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 “2. Articles of Association” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set forth in the accountants' report in Appendix I to this prospectus. The accountants' report has been prepared in accordance with the HKFRSs. You should read the entire accountants' report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties some of which are beyond our control. For further information, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a Macau-based contractor, providing (i) Fitting-out Works; and (ii) building construction works in Macau. We undertake fitting-out projects as a fitting-out contractor, primarily for projects in the private sector, including hotels and casinos, restaurants and retail shops, and other properties. In addition, we undertook our first building construction project in private sector as main contractor in Macau in 2015, which was a sizeable project with contract sum of approximately MOP473.7 million. Such building construction project was still in progress and has not yet completed as at the Latest Practicable Date. Based on our Directors' best estimate, the completion date of such building construction project is expected to be in the fourth quarter of 2017. Other than such sizeable building construction project, during the Track Record Period, we had undertaken another building construction project of smaller scale with contract sum of approximately MOP0.2 million in 2017, which had been completed in May 2017.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our revenue was approximately MOP129.8 million, MOP400.6 million, MOP463.3 million and MOP240.7 million, respectively, among which our revenue generated from fitting-out projects accounted for approximately 100%, 82.3%, 39.9% and 50.3% of our total revenue, respectively, and the remaining of nil, approximately 17.7%, 60.1% and 49.7% of our total revenue was generated from the building construction projects. During the Track Record Period, all of our revenue was derived from projects in private sector in Macau.

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BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 24 April 2017 as an exempted company with limited liability. Prior to the incorporation of our Company, our principal activities were carried out by Space Construction and its subsidiaries. We underwent the Reorganisation to rationalise the corporate structure in preparation of the Listing. Upon completion of the Reorganisation, our Company became the holding company of our Group. The companies now comprising our Group were under the common control of Mr. Che and Ms. Lei as the Controlling Shareholders before and after the Reorganisation. Accordingly, our financial information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this prospectus.

Demand for fitting-out and building construction services in Macau

Our results of operations are mainly affected by the number and availability of fitting-out and building construction projects in Macau, which in turn are affected by various factors, including but not limited to, the general economic conditions in Macau, changes in the conditions relating to the Macau fitting-out and building construction industry, and the amount of investment in the improvement of existing buildings and construction of new buildings. The changes may increase or decrease the demand for our fitting-out and building construction services.

There is no assurance that the number of fitting-out and building construction projects will not decrease in the future. In the event that the demand of fitting-out and building construction services decreases as a result of the reduction in the number of fitting-out and building construction projects in Macau, our business in general and results of operations may be adversely and materially affected.

Our ability to maintain a continuing flow of projects

Our services are provided on a project-by-project basis. Projects undertaken by us are normally awarded to us through competitive tendering or quotation processes in which we believe our competitors will submit tenders or quotations along with ours. Our future income therefore depends on our ability to maintain a continuing flow of new projects, while we complete existing projects on hand. In the event that we are unable to secure new projects or have not commenced work for any of our new projects upon completion of our projects on hand, our revenue and financial performance may be adversely affected.

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In addition, our fitting-out and building construction projects are non-recurring in nature. We need to pursue new customers for future business who may have different pre-requisite requirements in selecting contractors. Even if we are able to meet the pre-requisite requirements for specific projects, there is no assurance that we would be invited to submit tenders or quotations; or even if we are invited for tender or quotation submission, the terms and conditions of the new contracts would be comparable to the existing contracts, or our tenders or quotations would ultimately be selected by customers. In the competitive tendering or quotation process, we may have to lower our contract prices or offer more favourable terms to our customers to enhance the competitiveness of our tenders or quotations. If we are unable to secure new projects continuously, our business, financial conditions and results of operations may be materially and adversely affected.

Accuracy in estimation of time and costs involved in projects

We determine the tender price or quotations by adopting the cost-plus approach, whereby we estimate the total cost of the projects and add a profit margin on top. Most of our contracts are awarded on a fixed-price basis. Our pricing on projects is determined on a project-by-project basis depending on several factors, including but not limited to, (i) the nature, scope and complexity of the project; (ii) the estimated number and types of workers required; (iii) the estimated cost of materials required; (iv) the completion time requested by customers; (v) any subcontracting needed; (vi) the prevailing market conditions; (vii) previous tender or quotations record; (viii) awarded tender or quotations of similar project; (ix) the relationship and familiarity with the customers; and (x) the potential price competitiveness of other tenders or quotations. In addition, the estimate of the time and costs involved in a fitting-out or building construction project in determining the fee is based on our management's experience and factors that they believe to be relevant and reasonable and there is no assurance that the actual amount of time and costs would not exceed their estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including accidents, unforeseen site conditions, departure of key project management and supervision personnel involved, non-performance by our subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in time and costs 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 financial condition, profitability and liquidity.

Changes in our subcontracting fees, material costs and direct labour costs

Our subcontracting fees and material costs represented a major portion of our cost of sales during the Track Record Period. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our subcontracting fees and material costs amounted to approximately MOP66.1 million, MOP233.6 million, MOP299.1 million and MOP168.9 million, respectively, which accounted for approximately 65.3%, 73.1%, 83.7% and 93.3% of our cost of sales, respectively. Our ability to control and manage our subcontracting fees and materials costs will enhance our profitability. In addition, our contract price is based on our estimated project costs (which mainly include subcontracting fees and material costs) plus a mark-up margin at the time when we submit our tender or quotation for a project. However, the actual subcontracting fees and material costs cannot be

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determined until we have entered into agreements with our subcontractors/suppliers after being awarded the relevant contract. Any fluctuations in the subcontracting fees and material costs during this period will affect our profitability.

In addition to subcontracting, we employ our own workers to carry out certain works of a project. Our total direct labour costs amounted to approximately MOP29.2 million, MOP69.8 million, MOP44.1 million and MOP7.6 million, respectively, which accounted for approximately 28.8%, 21.9%, 12.3% and 4.2% of the total cost of sales for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. The supply and cost of labour in Macau are affected by the availability of labour in the market as well as economic factors in Macau including the inflation rate and standard of living. There is no assurance that the supply of labour and average labour costs will be stable and that we will be able to identify and recruit workers in replacement in a timely manner, which could have an adverse effect on our operations. In view of the potential increase in labour costs, if we are not able to apply effective strategy to control labour costs, our competitiveness and profitability could be adversely affected.

Collectability and timing of collection of our trade debtors and retention receivables

We receive monthly progress payment with reference to the value of the works completed. Generally, we are paid progressively throughout a project and submit payment applications to our customer on a monthly basis. If the customer is satisfied with our payment application, an interim payment certificate will be issued to us. In addition, our customers generally withhold a portion (normally 10%) of each progress payment since the first progress payment until up to 5% of the total contract sum as retention money. Generally, the first half of retention money will generally be released after the issuance of the certificate of practical completion and the remaining portion will be released upon the issue of certificate of completion of making good defects after expiry of the defect liability period.

As at 30 June 2017, our gross trade debtors and retention receivables were approximately MOP72.7 million and MOP40.0 million, respectively. Any failure by the customers to make payments to us on time and in full may have an adverse impact on our liquidity and financial position.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. The preparation of our financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying values of the assets or liabilities affected in future periods.

Our significant accounting policies and accounting judgements and estimates are set forth in Notes 2 and 3 to our financial statements included in the Accountants' Report in Appendix I to this prospectus. We set forth below the accounting policies, judgements and estimates that we believe are the most critical to our financial information or that involve the most significant judgements and estimates used in the preparation of our financial statements.

Revenue recognition

For details, please refer to Note 2(p) headed "Significant accounting policies – (p) Revenue recognition" to the Accountants' Report in Appendix I to this prospectus.

Construction contracts

For details, please refer to Note 2(h) headed "Significant accounting policies – (h) Construction contracts" to the Accountants' Report in Appendix I to this prospectus.

Trade and other receivables

For details, please refer to Note 2(i) headed "Significant accounting policies – (i) Trade and other receivables" to the Accountants' Report in Appendix I to this prospectus.

Impairment of assets

For details, please refer to Note 2(g) headed "Significant accounting policies – (g) Impairment of assets" to the Accountants' Report in Appendix I to this prospectus.

Trade and other payables

For details, please refer to Note 2(k) headed "Significant accounting policies – (k) Trade and other payables" to the Accountants' Report in Appendix I to this prospectus.

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Sources of estimation uncertainty

For details, please refer to Note 3(b) headed “Accounting judgements and estimates – Sources of estimation uncertainty – (b) Construction contracts” to the Accountants’ Report in Appendix I to this prospectus.

EFFECT OF THE NEW AND AMENDMENTS TO HKFRSs TO OUR GROUP

HKFRS 9 “Financial instruments”

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 “Financial instruments: Recognition and measurement”. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

Our Group has assessed that our financial assets currently measured at amortised cost will continue with their classification and measurements upon the adoption of HKFRS 9. The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at fair value through profit or loss (“FVTPL”) that is attributable to changes of that financial liability’s credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). Our Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on our Group on adoption of HKFRS 9.

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. While our Group is in the process of assessing the extent of impact on the impairment provisions under HKFRS 9, it is expected that the application of the expected credit loss model may result in earlier recognition of credit losses which are not yet incurred in relation to our Group’s trade and other receivables. Our Directors anticipate that the adoption of HKFRS 9 would not have material impact on the results and financial position of our Group based on management’s assessment performed so far.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15, which will be effective for annual periods beginning on or after 1 January 2018 with earlier application permitted, establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will supersede the current revenue recognition standards, including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective. Our Group has assessed that our contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. Methods that can be used under HKFRS 15 to measure our Group’s progress

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towards complete satisfaction of a performance obligation satisfied over time include (i) output method (i.e. recognise revenue on the basis of direct measurement of the value to the customer of the entity's performance to date); and (ii) input method (i.e. recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation). In measuring the work progress under the new revenue standard, our Group considers that an output method with reference to progress certificates issued by customers and any adjustment, where it is necessary and can be objectively determined, on the work progress would appropriately depict the transfer of control of goods or services to customers for individual projects under the new standard. So far as the measurement of progress for our Group's typical contracts is concerned, our Group does not expect the adoption of HKFRS 15 would significantly affect our financial position and performance based on the assessment performed so far.

While our Group continues to assess the potential impact of the new revenue standard, our management currently does not expect the adoption of HKFRS 15 would have a significant impact on how it recognizes revenue and costs from contracts with reference to our Group's typical contracts. The extent of impact on our Group's financial position and performance upon initial adoption of HKFRS 15 would depend on the progress of and facts specific to our Group's individual contracts. Our Group expects that the adoption of HKFRS 15 will result in additional disclosures in our Group's financial statements.

HKFRS 16 "Leases"

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors, which is mandatorily effective for annual periods beginning on or after 1 January 2019. Our total operating lease commitments in respect of leased properties as at 31 December 2014, 2015 and 2016 and 30 June 2017 amounted to approximately MOP0.5 million, MOP0.2 million, MOP0.6 million and MOP0.4 million, respectively. When HKFRS 16 is adopted in the future, it is expected that certain portion of lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities.

As at 30 June 2017, our future minimum lease payments under non-cancellable operating leases amounted to approximately MOP0.4 million for properties. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. We will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting. Our Directors anticipate that the adoption of HKFRS 16 would not have significant impact on the net financial position and performance of our Group based on the assessment performed so far.

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SUMMARY OF RESULTS OF OPERATIONS

Our combined statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the accountants' report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2014 <i>MOP'000</i>	2015 <i>MOP'000</i>	2016 <i>MOP'000</i>	2016 <i>MOP'000</i>	2017 <i>MOP'000</i>
				<i>(unaudited)</i>	
Revenue	129,809	400,598	463,309	234,755	240,733
Cost of sales	<u>(101,282)</u>	<u>(319,444)</u>	<u>(357,438)</u>	<u>(182,256)</u>	<u>(180,945)</u>
Gross profit	28,527	81,154	105,871	52,499	59,788
Other income	487	542	176	85	385
General and administrative expenses	<u>(7,538)</u>	<u>(11,001)</u>	<u>(16,073)</u>	<u>(6,575)</u>	<u>(14,047)</u>
Profit from operations	21,476	70,695	89,974	46,009	46,126
Finance costs	<u>(2,008)</u>	<u>(5,310)</u>	<u>(7,542)</u>	<u>(3,921)</u>	<u>(3,011)</u>
Profit Before taxation	19,468	65,385	82,432	42,088	43,115
Income tax	<u>(2,399)</u>	<u>(7,811)</u>	<u>(11,741)</u>	<u>(5,305)</u>	<u>(6,197)</u>
Profit for the year/period	<u><u>17,069</u></u>	<u><u>57,574</u></u>	<u><u>70,691</u></u>	<u><u>36,783</u></u>	<u><u>36,918</u></u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We provide services of (i) Fitting-out Works; and (ii) building construction works in Macau. All our revenue was derived in Macau during the Track Record Period. The following table sets forth a breakdown of our revenue during the Track Record Period by business segments:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Fitting-out Works	129,809	100.0	329,564	82.3	184,755	39.9	111,418	47.5	120,978	50.3
Building construction works ^(Note)	–	–	71,034	17.7	278,554	60.1	123,337	52.5	119,755	49.7
Total	129,809	100.0	400,598	100.0	463,309	100.0	234,755	100.0	240,733	100.0

Note: Our revenue from the building construction works for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 included revenue derived from the provision of certain Fitting-out Works in the amount of approximately MOP6.3 million, MOP142.9 million and MOP65.8 million, respectively.

Fitting-out works

Fitting-out projects undertaken by us during the Track Record Period can be broadly divided into three categories by type of customers, namely (i) hotels and casinos; (ii) restaurants and retail shops; and (iii) other properties. The following table sets forth a breakdown of our revenue attributable to our fitting-out projects during the Track Record Period by categories:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Hotels and casinos	112,237	86.4	298,854	90.7	165,215	89.4	94,188	84.5	68,296	56.5
Restaurants and retail shops	17,510	13.5	29,935	9.1	19,540	10.6	17,230	15.5	2,087	1.7
Other properties ^(Note)	62	0.1	775	0.2	0.0	0.0	0.0	0.0	50,595	41.8
Total	129,809	100.0	329,564	100.0	184,755	100.0	111,418	100.0	120,978	100.0

Note: Other properties included offices and apartments.

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For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we had been awarded 11, five, four and five fitting-out projects and completed one, ten and two and nil fitting-out projects, respectively. The following table sets forth the details of the movements of our fitting-out projects during the Track Record Period:

	Year ended 31 December						Six months ended 30 June					
	2014		2015		2016		2017		2017		2017	
	Number of projects awarded	Number of ongoing projects ⁽¹⁾	Number of projects completed	Number of projects awarded	Number of ongoing projects ⁽¹⁾	Number of projects completed	Number of projects awarded	Number of ongoing projects ⁽¹⁾	Number of projects completed	Number of projects awarded	Number of ongoing projects ⁽¹⁾	Number of projects completed
Hotels and casinos	6	7	0	2	4	5	0	2	2	2	3	0
Restaurants and retail shops	4	4	0	0	2	2	0	2	0	0	2	0
Other properties	1	0	1	3	0	3	4	0	0	3	5	0
Total	11	11	1	5	6	10	4	4	2	5	10	0

Note:

- The number of ongoing projects represents the number of projects that have commenced but not yet completed during the year/period.

Building construction works

We undertook our first building construction project as main contractor in Macau in 2015, which was a sizeable project with a contract sum of approximately MOP473.7 million. In addition, we undertook another building construction project with a contract sum of approximately MOP0.2 million during the Track Record Period in 2017, which had been completed in May 2017. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, our revenue derived from the building construction projects was approximately MOP71.0 million, MOP278.6 million and MOP119.8 million, accounting for approximately 17.7%, 60.1% and 49.7% of our total revenue, respectively. The first building construction project we undertook in 2015 was still in progress and has not yet completed as at the Latest Practicable Date.

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Cost of sales

Our cost of sales during the Track Record Period primarily included (i) subcontracting fees; (ii) material costs; (iii) direct labour costs; and (iv) other direct costs. The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Subcontracting fees	40,462	40.0	163,635	51.2	255,208	71.4	112,666	61.8	146,419	80.9
Material costs	25,654	25.3	69,953	21.9	43,863	12.3	36,778	20.2	22,463	12.4
Direct labour costs	29,150	28.8	69,784	21.9	44,066	12.3	26,777	14.7	7,578	4.2
Other direct costs ^(Note)	6,016	5.9	16,072	5.0	14,301	4.0	6,035	3.3	4,485	2.5
Total	101,282	100.0	319,444	100.0	357,438	100.0	182,256	100.0	180,945	100.0

Note: Other direct costs included labour benefits, labour registration and management fees, equipment rental, insurance fee, transportation and utilities expenses, survey fees, legal and professional fees, and sundry expenses.

(i) Subcontracting fees

Subcontracting fees represent the fees paid and payable to subcontractors who carry out fitting-out or construction works for our projects. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our subcontracting fees amounted to approximately MOP40.5 million, MOP163.6 million, MOP255.2 million and MOP146.4 million, respectively, representing approximately 40.0%, 51.2%, 71.4% and 80.9% of our total cost of sales for the corresponding period, respectively.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting fees on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 20% and 35% with reference to the fluctuation in our historical subcontracting fee (after excluding the effect of our revenue growth), which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting fees <i>(Note 1)</i>	+20%	+35%	-20%	-35%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Change in profit before tax				
For the year ended 31 December 2014	(7,938)	(13,891)	7,938	13,891
For the year ended 31 December 2015	(32,067)	(56,117)	32,067	56,117
For the year ended 31 December 2016	(50,605)	(88,559)	50,605	88,559
For the six months ended 30 June 2017	(29,284)	(51,247)	29,284	51,247
Change in profit after tax <i>(Note 2)</i>				
For the year ended 31 December 2014	(6,985)	(12,224)	6,985	12,224
For the year ended 31 December 2015	(28,219)	(49,383)	28,219	49,383
For the year ended 31 December 2016	(44,532)	(77,932)	44,532	77,932
For the six months ended 30 June 2017	(25,770)	(45,097)	25,770	45,097

Notes:

- Changes in our subcontracting fees are highly correlated to the revenue growth of our Group in view of our business nature. Therefore, for illustrative purpose, the hypothetical fluctuation rates of 20% and 35% are set with reference to the fluctuation in our historical subcontracting fees (after excluding the effect of revenue growth).
- The Macau Complementary Tax rate of 12% is applied for the illustration of increase or decrease in profit for the year.

(ii) Material costs

Material costs mainly represent costs of building and decorative materials installed/ utilised in our projects. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our material costs amounted to approximately MOP25.7 million, MOP70.0 million, MOP43.9 million and MOP22.5 million, respectively, representing approximately 25.3%, 21.9%, 12.3% and 12.4% of our total cost of sales for the corresponding period, respectively.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our material costs on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 30% and 50% with reference to the fluctuation in our historical material costs (after excluding the effect of our revenue growth), which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in material costs <i>(Note 1)</i>	+30%	+50%	-30%	-50%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Change in profit before tax				
For the year ended 31 December 2014	(7,861)	(13,102)	7,861	13,102
For the year ended 31 December 2015	(21,526)	(35,877)	21,526	35,877
For the year ended 31 December 2016	(13,877)	(23,128)	13,877	23,128
For the six months ended 30 June 2017	(6,739)	(11,232)	6,739	11,232
Change in profit after tax <i>(Note 2)</i>				
For the year ended 31 December 2014	(6,918)	(11,530)	6,918	11,530
For the year ended 31 December 2015	(18,943)	(31,572)	18,943	31,572
For the year ended 31 December 2016	(12,212)	(20,353)	12,212	20,353
For the six months ended 30 June 2017	(5,930)	(9,884)	5,930	9,884

Notes:

- Changes in our material costs are highly correlated to the revenue growth of our Group in view of our business nature. Therefore, for illustrative purpose, the hypothetical fluctuation rates of 30% and 50% are set with reference to the fluctuation in our historical material costs (after excluding the effect of revenue growth).
- The Macau Complementary Tax rate of 12% is applied for the illustration of increase or decrease in profit for the year.

(iii) Direct labour costs

Direct labour costs represent the compensation and benefits provided to the staff of our project team. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our total direct labour costs amounted to approximately MOP29.2 million, MOP69.8 million, MOP44.1 million and MOP7.6 million, respectively, representing approximately 28.8%, 21.9%, 12.3% and 4.2% of our total cost of sales for the corresponding period, respectively.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our direct labour costs on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 50% and 85% with reference to the fluctuation in our historical direct labour costs (after excluding the effect of our revenue growth), which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in direct labour costs (Note 1)

	+50%	+85%	-50%	-85%
	MOP'000	MOP'000	MOP'000	MOP'000
Change in profit before tax				
For the year ended 31 December 2014	(14,731)	(25,043)	14,731	25,043
For the year ended 31 December 2015	(35,399)	(60,178)	35,399	60,178
For the year ended 31 December 2016	(22,644)	(38,494)	22,644	38,494
For the six months ended 30 June 2017	(3,789)	(6,441)	3,789	6,441

Change in profit after tax (Note 2)

For the year ended 31 December 2014	(12,963)	(22,038)	12,963	22,038
For the year ended 31 December 2015	(31,151)	(52,957)	31,151	52,957
For the year ended 31 December 2016	(19,926)	(33,875)	19,926	33,875
For the six months ended 30 June 2017	(3,334)	(5,668)	3,334	5,668

Notes:

- Changes in our direct labour costs are highly correlated to the revenue growth of our Group in view of our business nature. Therefore, for illustrative purpose, the hypothetical fluctuation rates of 50% and 85% are set with reference to the fluctuation in our historical direct labour costs (after excluding the effect of revenue growth).
- The Macau Complementary Tax rate of 12% is applied for the illustration of increase or decrease in profit for the year.

Gross profit

The following table sets forth a breakdown of our gross profit and gross profit margin during the Track Record Period by business segments:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	Gross		Gross		Gross		Gross		Gross	
	profit	margin	profit	margin	profit	margin	profit	margin	profit	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	
Fitting-out works	28,527	22.0	63,325	19.2	35,952	19.5	21,538	19.3	29,732	24.6
Construction works	-	-	17,829	25.1	69,919	25.1	30,961	25.1	30,056	25.1
Total	28,527	22.0	81,154	20.3	105,871	22.9	52,499	22.4	59,788	24.8

(unaudited)

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In respect of our fitting-out works business segment, the following table sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by categories:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Hotel and casino	24,476	21.8	59,100	19.8	32,457	19.6	18,473	19.6	17,452	25.6
Restaurant and retail shop	4,011	22.9	4,171	13.9	3,495	17.9	3,065	17.8	1,614	77.4
Others	40	64.5	54	7.0	–	–	–	43.9	10,666	21.1
Total	28,527	22.0	63,325	19.2	35,952	19.5	21,538	19.3	29,732	24.6

Other income

The following table sets forth a breakdown of our other income during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Rental income	472	379	–	–	247
Interest income	15	126	62	49	41
Others	–	37	114	36	97
Total	487	542	176	85	385

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General and administrative expenses

The following table sets forth a breakdown of our general and administrative expenses during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>									
Staff costs	3,451	45.8	4,458	40.5	5,067	31.5	2,098	31.9	3,115	22.2
Bank charges	1,685	22.3	1,505	13.7	1,382	8.6	1,163	17.7	815	5.8
Rent and rates	552	7.3	605	5.5	613	3.8	304	4.6	389	2.8
Depreciation	427	5.7	518	4.7	586	3.7	297	4.5	236	1.7
Legal and professional fee	257	3.4	61	0.6	472	2.9	168	2.6	310	2.2
Sundry and other expenses	1,166	15.5	3,854	35.0	3,786	23.6	2,545	38.7	1,165	8.3
Listing Expense	–	–	–	–	4,167	25.9	–	–	8,017	57.0
Total	7,538	100.0	11,001	100.0	16,073	100.0	6,575	100.0	14,047	100.0

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our general and administrative expenses were approximately MOP7.5 million, MOP11.0 million, MOP16.1 million and MOP14.0 million, representing approximately 5.8%, 2.7%, 3.5% and 5.8% of our total revenue, respectively. Staff costs (including directors' emoluments) represent salaries, bonus and benefits provided to our Directors and administrative staff. Bank charges mainly include the arrangement fees of new bank loans. Rent and rates mainly represent the rental expenses for the lease of our office premises and car parks. Depreciation is the depreciation of our furniture and equipment, motor vehicle and investment property. Legal and professional fee mainly includes fees paid for legal services, accounting services and tax filing service obtained by our Group. Sundry and other expenses mainly include travelling and transportation expenses, office supplies and utilities expenses, office administration costs incurred for daily operation and other expenses. Listing expenses include professional fees and expenses incurred in preparation for the Listing.

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Finance costs

The following table sets forth a breakdown of our finance costs during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				<i>(unaudited)</i>	
Interest on bank loans and overdrafts and other borrowings	<u>2,008</u>	<u>5,310</u>	<u>7,542</u>	<u>3,921</u>	<u>3,011</u>

Income tax

The following table sets forth a breakdown of our income tax expense during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				<i>(unaudited)</i>	
The income tax expense comprises:					
Current tax – Macau Complementary Tax					
Provision for the year/period	2,424	7,836	11,766	5,317	6,209
Deferred Tax					
Origination and reversal of temporary differences	<u>(25)</u>	<u>(25)</u>	<u>(25)</u>	<u>(12)</u>	<u>(12)</u>
	<u>2,399</u>	<u>7,811</u>	<u>11,741</u>	<u>5,305</u>	<u>6,197</u>

During the Track Record Period, all of our revenue was derived from Macau and therefore we are subject to the Macau Complementary Tax. Macau Complementary Tax is calculated at 12% of the estimated assessable profits for the Track Record Period.

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Our income tax expense for the year/period can be reconciled to the profit before taxation in the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30	
	2014	2015	2016	June	
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				<i>(unaudited)</i>	
Profit before taxation	<u>19,468</u>	<u>65,385</u>	<u>82,432</u>	<u>42,088</u>	<u>43,115</u>
Notional tax on profit before taxation calculated at 12%	2,337	7,846	9,892	5,050	5,174
Tax effect of non-deductible expenses	–	–	2,065	255	1,023
Tax effect of tax exemption under Macau Complementary Income Tax	(144)	(144)	(216)	–	–
Others	<u>206</u>	<u>109</u>	<u>–</u>	<u>–</u>	<u>–</u>
Actual tax expense	<u>2,399</u>	<u>7,811</u>	<u>11,741</u>	<u>5,305</u>	<u>6,197</u>

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded income tax expenses of approximately MOP2.4 million, MOP7.8 million, MOP11.7 million and MOP6.2 million, respectively.

The following table sets forth our effective tax rate during the Track Record Period:

	Year ended 31 December			Six months ended	
	2014	2015	2016	30 June	
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				<i>(unaudited)</i>	
Profit before taxation	19,468	65,385	82,432	42,088	43,115
Income tax	(2,399)	(7,811)	(11,741)	(5,305)	(6,197)
Effective tax rate	12.3%	11.9%	14.2%	12.6%	14.4%

Our effective tax rates for the years ended 31 December 2014 and 2015 were generally in line with the Macau Complementary Tax rate. For the year ended 31 December 2016 and the six months ended 30 June 2017, our effective tax rate increased to approximately 14.2% and 14.4%, respectively, due to the effect of non-deductible expenses.

Our Directors confirmed that save as disclosed in the section headed “Business – Non-compliance Incidents”, we have paid all relevant taxes and are not subject to any dispute or unresolved tax issues with the relevant tax authorities in Macau. For details, please refer to the section headed “Business – Non-compliance Incidents” in this prospectus.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2017 compared with the six months ended 30 June 2016

Revenue

Our revenue increased slightly by approximately MOP5.9 million or 2.5% from approximately MOP234.8 million for the six months ended 30 June 2016 to approximately MOP240.7 million for the six months ended 30 June 2017. Such slight increase was mainly attributable to the increase in the revenue derived from our fitting-out projects.

Our revenue from fitting-out projects increased by approximately MOP9.6 million or 8.6% from approximately MOP111.4 million for the six months ended 30 June 2016 to approximately MOP121.0 million for the six months ended 30 June 2017. The increase was mainly attributable to increase in revenue generated under two fitting-out projects for apartments located in Cotai, Macau on which we completed a substantial portion of works during the period and a new fitting-out project for guest rooms of a casino resort located in Cotao, Macau.

Our revenue from building construction works remained relatively stable at approximately MOP123.3 million and MOP119.8 million for the six months ended 30 June 2016 and 2017, respectively.

Cost of sales

Our cost of sales remained relatively stable at approximately MOP182.3 million and MOP180.9 million for the six months ended 30 June 2016 and 2017, respectively. Our cost of sales for the six months ended 30 June 2016 mainly included approximately 61.8% of subcontracting fees, approximately 20.2% of material costs and approximately 14.7% of direct labour costs, whereas that for the six months ended 30 June 2017 mainly included approximately 80.9% of subcontracting fees, approximately 12.4% of material costs and approximately 4.2% of direct labour costs. Our subcontracting fees include labour costs of workers employed by our subcontractors and costs of materials procured by our subcontractors. Our material costs represents the costs of materials procured by us. Our direct labour costs represent costs of workers directly employed by us. The amount of these three items may vary from project to project, depending on the volume of work subcontracted to subcontractors and the extent of work undertaken by our own workers which therefore involves procurement of materials by ourselves and payment of our own labour costs. These three items collectively represent the amount of service fees to our subcontractors, cost of materials used and direct labour involved in our projects. The total amount of subcontracting fees, materials costs and direct labour costs increased slightly by approximately MOP0.3 million or 0.17% from approximately MOP176.2 million for the six months ended 30 June 2016 to approximately MOP176.5 million for the six months ended 30 June 2017, generally reflecting the increase in cost associated with the increase in revenue. The proportion of subcontracting fees, material costs and direct labour costs to total cost of sales remained relatively stable at approximately 96.7% and 97.5% for the six months ended 30 June 2016 and 2017, respectively.

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Gross profit and gross profit margin

Our gross profit increased by approximately MOP7.3 million or 13.9% from approximately MOP52.5 million for the six months ended 30 June 2016 to approximately MOP59.8 million for the six months ended 30 June 2017. Such increase was mainly attributable to the increase in our gross profit from our fitting-out projects, partially offset by the decrease in our gross profit from building construction projects during the period. Our gross profit margin increased from approximately 22.4% for the six months ended 30 June 2016 to approximately 24.8% for the six months ended 30 June 2017. The increase was primarily attributable to the increase in gross profit margin of the fitting-out projects from approximately 19.3% for the six months ended 30 June 2016 to approximately 24.6% for the six months ended 30 June 2017. The increase in gross profit margin of our fitting-out projects for the six months ended 30 June 2017 was mainly due to the increase in variation orders with relatively higher profit margin issued by our customers owing to the urgency of works thereunder and the relatively higher gross profit margin of the new fitting-out project for guest rooms of a casino resort recorded during the period. The gross profit margin of our building construction projects remained stable at approximately 25.1% for the six months ended 30 June 2016 and 2017, respectively, which primarily represented the profit margin of the sizeable construction project which accounted for substantially all of our revenue from the building construction segment.

Other income

Our other income increased by approximately MOP0.3 million or 352.9% from approximately MOP85,000 for the six months ended 30 June 2016 to approximately MOP0.4 million for the six months ended 30 June 2017. Such increase was mainly attributable to the increase in our rental income of approximately MOP0.2 million as we have leased out our investment property to a new tenant since 1 January 2017 after the expiry of the tenancy agreement with our former tenant in October 2015.

General and administrative expenses

Our general and administrative expenses increased by approximately MOP7.4 million or 112.1% from approximately MOP6.6 million for the six months ended 30 June 2016 to approximately MOP14.0 million for the six months ended 30 June 2017. Such increase was mainly attributable to an increase in Listing expense of approximately MOP8.0 million and an increase in our staff costs of approximately MOP1.0 million due to an increase in number of staff. Such increase was partially offset by a decrease of sundry and other expenses of approximately MOP1.4 million mainly due to a decrease in entertainment, business trip and messing expenses.

Finance costs

Our finance costs decreased by approximately MOP0.9 million or 23.1% from approximately MOP3.9 million for the six months ended 30 June 2016 to approximately MOP3.0 million for the six months ended 30 June 2017. Such decrease was mainly

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attributable to a decrease in our average outstanding bank loans and overdrafts and other borrowings from approximately MOP169.6 million for the six months ended 30 June 2016 to approximately MOP146.3 million for the six months ended 30 June 2017.

Income tax

Our income tax increased by approximately MOP0.9 million or 17.0% from approximately MOP5.3 million for the six months ended 30 June 2016 to approximately MOP6.2 million for the six months ended 30 June 2017. Such increase was mainly attributable to the increase in our profit before taxation from approximately MOP42.1 million for the six months ended 30 June 2016 to approximately MOP43.1 million for the six months ended 30 June 2017. Our effective tax rate for the six months ended 30 June 2016 was approximately 12.6%, which was generally in line with the Macau Complementary Tax rate of 12%. For the six months ended 30 June 2017, our effective tax rate increased to approximately 14.4%, which was mainly due to the effect of Listing expenses which were not deductible for tax purposes.

Profit for the period and net profit margin

Our profit for the period remained relatively stable at approximately MOP36.8 million and MOP36.9 million for the six months ended 30 June 2016 and 2017 respectively, which was mainly attributable to the combined effect of the aforementioned items.

Our net profit margin remained relatively stable at approximately 15.7% and 15.3% for the six months ended 30 June 2016 and 2017 respectively, mainly attributable to the increase in our gross profit and partially offset by the increase in our general and administrative expenses as mentioned above.

Year ended 31 December 2016 compared with the year ended 31 December 2015

Revenue

Our revenue increased by approximately MOP62.7 million or 15.7% from approximately MOP400.6 million for the year ended 31 December 2015 to approximately MOP463.3 million for the year ended 31 December 2016. Such increase was primarily attributable to the significant increase in the revenue derived from our building construction project, partially offset by the decrease in the revenue derived from fitting-out projects.

Our revenue from fitting-out projects decreased by approximately MOP144.8 million or 43.9% from approximately MOP329.6 million for the year ended 31 December 2015 to approximately MOP184.8 million for the year ended 31 December 2016. The decrease was due to the allocation of our resources to the sizeable building construction project after completion of (i) several fitting-out projects and (ii) a substantial portion of the fitting-out project relating to a sizeable hotel and casino resort in 2015.

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Our revenue from building construction works increased by approximately MOP207.6 million or 292.1% from approximately MOP71.0 million for the year ended 31 December 2015 to approximately MOP278.6 million for the year ended 31 December 2016. The increase was primarily attributable to increase in revenue recognised in our sizable building construction project as greater portion of this project was completed during the year.

Cost of sales

Our cost of sales increased by approximately MOP38.0 million or 11.9% from approximately MOP319.4 million for the year ended 31 December 2015 to approximately MOP357.4 million for the year ended 31 December 2016. Such increase was mainly driven by the increase of revenue during the corresponding period. Our cost of sales for the year ended 31 December 2015 mainly included approximately 51.2% of subcontracting fees, 21.9% of material costs and approximately 21.9% of direct labour costs, whereas that for the year ended 31 December 2016 mainly included approximately 71.4% of subcontracting fees, 12.3% of material costs and approximately 12.3% of direct labour costs. Our subcontracting fees include labour costs of workers employed by our subcontractors and costs of materials procured by our subcontractors. Our material costs represents the costs of materials procured by us. Our direct labour costs represent costs of workers directly employed by us. The amount of these three items may vary from project to project, depending on the volume of work subcontracted to subcontractors and the extent of work undertaken by our own workers which therefore involves procurement of materials by ourselves and payment of our own labour costs. These three items collectively represent the amount of service fees to our subcontractors, cost of materials used and direct labour involved in our projects. The total amount of subcontracting fees, materials costs and direct labour costs increased by approximately MOP39.8 million or 13.1% from approximately MOP303.4 million for the year ended 31 December 2015 to approximately MOP343.1 million for the year ended 31 December 2016, generally reflecting the increase in cost associated with the increase in revenue. The proportion of subcontracting fees, material costs and direct labour costs to total cost of sales remained relatively stable at approximately 95.0% and 96.0% for the years ended 31 December 2015 and 2016, respectively.

Gross profit and gross profit margin

Our gross profit increased by approximately MOP24.7 million or 30.5% from approximately MOP81.2 million for the year ended 31 December 2015 to approximately MOP105.9 million for the year ended 31 December 2016. Such increase was mainly attributable to the increase in our gross profit from our building construction project, partially offset by the decrease in our gross profit from fitting-out projects during the year.

Our gross profit margin increased from approximately 20.3% for the year ended 31 December 2015 to approximately 22.9% for the year ended 31 December 2016. The increase was primarily attributable to the increase in revenue contribution from our building construction project with higher margin, coupled with a slight increase in the gross profit margin of the fitting-out projects from approximately 19.2% for the year ended 31 December 2015 to approximately 19.5% for the year ended 31 December 2016. The gross profit margin of our building construction project remained stable at approximately 25.1% for the years ended 31 December 2015 and 2016, respectively, as we had only undertaken one

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construction project for the years ended 31 December 2015 and 2016. The gross profit margin of building construction project was higher than that of fitting-out projects, mainly attributable to the economy of scale of the construction project owing to its larger project size as compared with our fitting-out projects.

Other income

Our other income decreased by approximately MOP0.4 million or 67.5% from approximately MOP0.5 million for the year ended 31 December 2015 to approximately MOP0.2 million for the year ended 31 December 2016. Such decrease was mainly attributable to the decrease in our rental income of approximately MOP0.4 million as we have not leased out our investment property upon the expiry of the tenancy agreement with our former tenant in October 2015. Subsequently, we entered into a tenancy agreement in respect of our investment property with a new tenant for a term of two years from January 2017, subject to the tenant's option to renew for a further term of three years.

General and administrative expenses

Our general and administrative expenses increased by approximately MOP5.1 million or 46.1% from approximately MOP11.0 million for the year ended 31 December 2015 to approximately MOP16.1 million for the year ended 31 December 2016. Such increase was mainly attributable to an increase in Listing expense of approximately MOP4.2 million and an increase in staff costs of approximately MOP0.6 million due to increase in number of staff.

Finance costs

Our finance costs increased by approximately MOP2.2 million or 42.0% from approximately MOP5.3 million for the year ended 31 December 2015 to approximately MOP7.5 million for the year ended 31 December 2016. Such increase was mainly attributable to an increase in our average outstanding bank loans and overdrafts and other borrowings from approximately MOP124.3 million for the year ended 31 December 2015 to approximately MOP157.0 million for the year ended 31 December 2016.

Income tax

Our income tax increased by approximately MOP3.9 million or 50.3% from approximately MOP7.8 million for the year ended 31 December 2015 to approximately MOP11.7 million for the year ended 31 December 2016. Such increase was mainly attributable to the increase in our profit before taxation from approximately MOP65.4 million for the year ended 31 December 2015 to approximately MOP82.4 million for the year ended 31 December 2016. Our effective tax rate for the year ended 31 December 2015 was approximately 11.9% which was generally in line with the Macau Complementary Tax rate of 12%. For the year ended 31 December 2016, our effective tax rate increased to approximately 14.2%, which was mainly due to the effect of Listing expenses which were not deductible for tax purposes.

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Profit for the year and net profit margin

Our profit for the year increased by approximately MOP13.1 million or 22.8% from approximately MOP57.6 million for the year ended 31 December 2015 to approximately MOP70.7 million for the year ended 31 December 2016, which was mainly attributable to the combined effect of the aforementioned items.

Our net profit margin increased from approximately 14.4% for the year ended 31 December 2015 to approximately 15.3% for the year ended 31 December 2016. Such increase was mainly attributable to the increase in our gross profit and partially offset by the increase in our general and administrative expenses as mentioned above.

Year ended 31 December 2015 compared with the year ended 31 December 2014

Revenue

Our revenue increased by approximately MOP270.8 million or 208.6% from approximately MOP129.8 million for the year ended 31 December 2014 to approximately MOP400.6 million for the year ended 31 December 2015. Such increase was primarily attributable to the significant increase in the revenue derived from fitting-out projects, coupled with the increase in the revenue derived from the building construction project.

Our revenue generated from fitting-out projects increased by approximately MOP199.8 million or 153.9% from approximately MOP129.8 million for the year ended 31 December 2014 to approximately MOP329.6 million for the year ended 31 December 2015. This increase was mainly due to the increase in number of fitting-out projects carried out and completed by us during the year and an increase of approximately MOP142.5 million in revenue generated under several fitting-out projects for a sizeable hotel and casino resort on which we completed a substantial portion of works during the year.

In addition, we undertook our first building construction project in 2015. As such, we generated revenue of approximately MOP71.0 million from a new business segment of building construction works during the year.

Cost of sales

Our cost of sales increased by approximately MOP218.2 million or 215.4% from approximately MOP101.3 million for the year ended 31 December 2014 to approximately MOP319.4 million for the year ended 31 December 2015. The increase in cost of sales was in line with our revenue growth. Our cost of sales for the year ended 31 December 2014 mainly included approximately 40.0% of subcontracting fees, 25.3% of material costs and 28.8% of direct labour costs, whereas that for the year ended 31 December 2015 mainly included approximately 51.2% of subcontracting fees, 21.9% of material costs and 21.9% of direct labour costs. The total amount of subcontracting fees, material costs and direct labour costs increased by approximately MOP208.1 million or 218.4% from approximately MOP95.3 million for the year ended 31 December 2014 to approximately MOP303.4 million for the year ended 31 December 2015, generally reflecting the increase in cost associated

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with the increase in revenue. The proportion of subcontracting fees, material costs and direct labour costs to total cost of sales remained relatively stable at approximately 94.1% and 95.0% for the years ended 31 December 2014 and 2015, respectively.

Gross profit and gross profit margin

Our gross profit increased by approximately MOP52.7 million or 184.5% from approximately MOP28.5 million for the year ended 31 December 2014 to approximately MOP81.2 million for the year ended 31 December 2015. Such increase was mainly attributable to the increase in the gross profit from fitting-out projects and the building construction project.

Despite the growth in gross profit, our gross profit margin decreased from approximately 22.0% for the year ended 31 December 2014 to approximately 20.3% for the year ended 31 December 2015, primarily due to the decrease in gross profit margin of fitting-out projects. The gross profit margin for fitting-out projects decreased from approximately 22.0% for the year ended 31 December 2014 to approximately 19.2% for the year ended 31 December 2015. Such decrease was mainly attributable to lower gross profit margin for several fitting-out projects for the sizeable hotel and casino resort undertaken by us during the year which involved less complicated works.

Other income

Our other income remained relatively stable at approximately MOP0.5 million and MOP0.5 million for the years ended 31 December 2014 and 2015, respectively.

General and administrative expenses

Our general and administrative expenses increased by approximately MOP3.5 million or 45.9% from approximately MOP7.5 million for the year ended 31 December 2014 to approximately MOP11.0 million for the year ended 31 December 2015. Such increase was in line with our business expansion and was mainly attributable to the increase in staff costs of approximately MOP1.0 million mainly due to an increase in number of staff and an increase in sundry and others expenses of approximately MOP2.7 million.

Finance costs

Our finance costs increased by approximately MOP3.3 million or 164.4% from approximately MOP2.0 million for the year ended 31 December 2014 to approximately MOP5.3 million for the year ended 31 December 2015. Such increase was mainly attributable to new borrowings under facilities in aggregate principal amount of approximately MOP70 million we obtained to finance our sizable building construction project in 2015.

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Income tax

Our income tax expense increased by approximately MOP5.4 million or 225.6% from approximately MOP2.4 million for the year ended 31 December 2014 to approximately MOP7.8 million for the year ended 31 December 2015. Such increase was mainly attributable to the increase in our profit before taxation from approximately MOP19.5 million for the year ended 31 December 2014 to approximately MOP65.4 million for the year ended 31 December 2015. Our effective tax rate was approximately 12.3% and 11.9% for the years ended 31 December 2014 and 2015, respectively, which was generally in line with the Macau Complementary Tax rate of 12%.

Profit for the year and net profit margin

Our profit for the year increased by approximately MOP40.5 million or 237.3% from approximately MOP17.1 million for the year ended 31 December 2014 to approximately MOP57.6 million for the year ended 31 December 2015, which was mainly attributable to the combined effect of the aforementioned items.

Our net profit margin increased from approximately 13.1% for the year ended 31 December 2014 to approximately 14.4% for the year ended 31 December 2015. Such increase was mainly attributable to the increase in our gross profit and partially offset by the increase in our general and administrative expenses as mentioned above.

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LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our operations were generally financed through a combination of internally generated cash flows and borrowings from banks. The Directors believe that in the long term, our operations will be funded by internally generated cash flows and bank borrowings, the net proceeds from the Listing and, if necessary, additional equity financing when the needs come.

Cash flows

The following table sets forth a summary of our Group's combined statements of cash flows during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
	<i>(unaudited)</i>				
Net cash generated from operating activities	52,953	34,514	106,454	23,726	23,891
Net cash (used in)/generated from investing activities	(174)	(643)	(1,064)	48	100
Net cash used in financing activities	<u>(46,077)</u>	<u>(58,763)</u>	<u>(90,630)</u>	<u>(22,665)</u>	<u>(34,157)</u>
Net increase/(decrease) in cash and cash equivalents	6,702	(24,892)	14,760	1,109	(10,166)
Cash and cash equivalents at the beginning of the year/period	<u>(5,565)</u>	<u>1,137</u>	<u>(23,755)</u>	<u>(23,755)</u>	<u>(8,995)</u>
Cash and cash equivalents at the end of the year/period	<u><u>1,137</u></u>	<u><u>(23,755)</u></u>	<u><u>(8,995)</u></u>	<u><u>(22,646)</u></u>	<u><u>(19,161)</u></u>
Represented by:					
Cash at banks and in hand and cash and cash equivalents in the combined statements of financial position	8,504	1,971	19,835	5,426	8,229
Bank overdrafts	<u>(7,367)</u>	<u>(25,726)</u>	<u>(28,830)</u>	<u>(28,072)</u>	<u>(27,390)</u>
	<u><u>1,137</u></u>	<u><u>(23,755)</u></u>	<u><u>(8,995)</u></u>	<u><u>(22,646)</u></u>	<u><u>(19,161)</u></u>

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Net cash generated from operating activities

We derive cash inflow from operating activities primarily from the receipt of payments from contract work. Our cash outflow from operations primarily includes subcontracting fees, purchases of raw materials and staff costs, and all other operating expenses such as payment of Listing expenses, employee benefits, insurance expenses, repairs and maintenance costs, and rental expenses.

For the year ended 31 December 2014, our net cash generated from operating activities was approximately MOP53.0 million. The net cash from operating activities was mainly attributable to our profit before tax of approximately MOP19.5 million, which was positively adjusted for finance cost of approximately MOP2.0 million, depreciation of approximately MOP0.4 million and positive working capital changes of approximately MOP31.1 million. Positive working capital changes of approximately MOP31.1 million was mainly due to (i) increase in gross amounts due to customers for contract work of approximately MOP2.1 million; and (ii) increase in trade and other payables of approximately MOP139.3 million, partially offset by (i) increase in gross amounts due from customers for contract work of approximately MOP13.6 million; and (ii) increase in trade and other receivables of approximately MOP96.7 million.

For the year ended 31 December 2015, our net cash generated from operating activities was approximately MOP34.5 million. The net cash from operating activities was mainly attributable to our profit before tax of approximately MOP65.4 million, which was positively adjusted for finance cost of approximately MOP5.3 million and depreciation of approximately MOP0.5 million, and partially offset by negative working capital changes of approximately MOP36.5 million. Negative working capital changes of approximately MOP36.5 million was mainly due to (i) increase in gross amounts due from customers for contract work of approximately MOP13.3 million; (ii) increase in trade and other receivables of approximately MOP19.3 million; (iii) decrease in gross amounts due to customers for contract work of approximately MOP0.4 million; and (iv) decrease in trade and other payables of approximately MOP3.5 million.

For the year ended 31 December 2016, our net cash generated from operating activities was approximately MOP106.5 million. The net cash from operating activities was mainly attributable to our profit before tax of approximately MOP82.4 million, which was positively adjusted for finance cost of approximately MOP7.5 million, depreciation of approximately MOP0.6 million and positive working capital changes of approximately MOP17.6 million, and partially offset by negative adjustment of tax paid of approximately MOP1.6 million. Positive working capital changes of approximately MOP17.6 million was mainly due to (i) decrease in gross amounts due from customers for contract work of approximately MOP7.3 million; and (ii) decrease in trade and other receivables of approximately MOP49.1 million, partially offset by decrease in trade and other payables of approximately MOP38.9 million.

For the six months ended 30 June 2016, our net cash generated from operating activities was approximately MOP23.7 million. The net cash from operating activities was mainly attributable to our profit before tax of approximately MOP42.1 million, which was positively adjusted for finance cost of approximately MOP3.9 million and depreciation of approximately MOP0.3 million, and partially offset by negative working capital changes of

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approximately MOP22.6 million. Negative working capital changes of approximately MOP22.6 million was mainly due to (i) increase in trade and other receivables of approximately MOP9.6 million; and (ii) decrease in trade and other payables of approximately MOP22.6 million, partially offset by (i) decrease in gross amounts due from customers for contract work of approximately MOP5.2 million; and (ii) increase in gross amounts due to customers for contract work of approximately MOP4.4 million.

For the six months ended 30 June 2017, our net cash generated from operating activities was approximately MOP23.9 million. The net cash from operating activities was mainly attributable to our profit before tax of approximately MOP43.1 million, which was positively adjusted for finance cost of approximately MOP3.0 million and depreciation of approximately MOP0.2 million, and partially offset by negative adjustment of tax paid of approximately MOP6.8 million and negative working capital changes of approximately MOP15.6 million. Negative working capital changes of approximately MOP15.6 million was mainly due to (i) increase in gross amounts due from customers for contract work of approximately MOP11.7 million; and (ii) increase in trade and other receivables of approximately MOP46.3 million, partially offset by (i) increase in gross amounts due to customers for contract work of approximately MOP1.9 million; and (ii) increase in trade and other payables of approximately MOP40.5 million.

Net cash (used in)/generated from investing activities

During the Track Record Period, our cash used in investing activities was primarily for the purchases of property, plant and equipment and bank deposits; and our cash generated from investing activities primarily represented proceeds from disposal of property, plant and equipment and interest received from banks.

For the year ended 31 December 2014, we recorded net cash used in investing activities of approximately MOP0.2 million, which was attributable to our purchase of property, plant and equipment for operation purpose.

For the year ended 31 December 2015, we recorded net cash used in investing activities of approximately MOP0.6 million, primarily as a result of our purchase of property, plant and equipment of approximately MOP0.8 million, partially offset by interest received of approximately MOP0.1 million.

For the year ended 31 December 2016, we recorded net cash used in investing activities of approximately MOP1.1 million, primarily as a result of an increase in bank deposits of approximately MOP1.1 million.

For the six months ended 30 June 2016, we recorded net cash generated from investing activities of approximately MOP48,000, which mainly represented interest received.

For the six months ended 30 June 2017, we recorded net cash generated from investing activities of approximately MOP0.1 million, primarily as a result of proceeds from disposal of property, plant and equipment of approximately MOP2.1 million and decrease in bank deposits of approximately MOP1.1 million, partially offset by our purchase of property, plant and equipment of approximately MOP3.1 million.

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Net cash used in financing activities

During the Track Record Period, our cash outflow for financing activities mainly included repayment of bank loans and other borrowings, payment of listing expenses and interest paid, while our cash inflow from financing activities mainly included proceeds from new bank loans and other borrowings.

For the year ended 31 December 2014, we recorded net cash used in financing activities of approximately MOP46.1 million, primarily as a result of repayments of bank loans and other borrowings of approximately MOP61.6 million, increase in pledged deposits of approximately MOP31.1 million, increase in net amounts due from/to directors of approximately MOP75.1 million, and interest payment of approximately MOP2.0 million, partially offset by proceeds from new bank loans and other borrowings of approximately MOP123.8 million.

For the year ended 31 December 2015, we recorded net cash used in financing activities of approximately MOP58.8 million, primarily as a result of repayments of bank loans and other borrowings of approximately MOP296.4 million, increase in pledged deposits of approximately MOP14.1 million, increase in net amounts due from/to directors of approximately MOP83.7 million, and interest payment of approximately MOP5.3 million, partially offset by proceeds from new bank loans and other borrowings of approximately MOP340.7 million.

For the year ended 31 December 2016, we recorded net cash used in financing activities of approximately MOP90.6 million, primarily as a result of repayments of bank loans and other borrowings of approximately MOP445.5 million, payment of listing expenses of approximately MOP1.4 million, increase in net amounts due from/to directors of approximately MOP90.7 million, and interest payment of approximately MOP7.5 million, partially offset by proceeds from new bank loans and other borrowings of approximately MOP445.0 million and decrease in pledged deposits of approximately MOP9.5 million.

For the six months ended 30 June 2016, we recorded net cash used in financing activities of approximately MOP22.7 million, primarily as a result of repayments of bank loans and other borrowings of approximately MOP213.4 million, increase in net amounts due from/to directors of approximately MOP50.7 million, and interest payment of approximately MOP3.9 million, partially offset by proceeds from new bank loans and other borrowings of approximately MOP238.9 million and decrease in pledged deposits of approximately MOP6.4 million.

For the six months ended 30 June 2017, we recorded net cash used in financing activities of approximately MOP34.2 million, primarily as a result of repayments of bank loans and other borrowings of approximately MOP192.6 million, payment of listing expenses of approximately MOP2.5 million, increase in net amounts due from/to directors of approximately MOP10.9 million, and interest payment of approximately MOP3.0 million, partially offset by proceeds from new bank loans and other borrowings of approximately MOP170.0 million and decrease in pledged deposits of approximately MOP4.8 million.

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Negative cash and cash equivalents in the combined cash flow statements

As at 31 December 2015 and 2016 and 30 June 2017, we recorded the negative cash and cash equivalents in the combined cash flow statements of approximately MOP23.8 million, MOP9.0 million and MOP19.2 million, respectively. The negative cash and cash equivalents were attributable to the bank overdrafts of approximately MOP25.7 million, MOP28.8 million and MOP27.4 million as at 31 December 2015 and 2016 and 30 June 2017 for settlement of the subcontracting fees, procurement of materials and payment to direct labour. Our Group obtained combined banking facilities from our principal banks, which may be utilised as bank overdraft, import loan, export loan, revolving loan and issuance of performance bonds. Depending on our Group's financing needs, method and the drawdown requirements of different types of banking facilities, our Group may, at its discretion, utilise different types of facilities obtained. The utilisation of the bank overdrafts facility by our Group was mainly due to the flexibility of utilising bank overdrafts with no specific drawdown procedure or requirement. Please refer to the paragraph headed "Indebtedness" in this section for the further details.

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NET CURRENT ASSETS

	As at 31 December			As at 30 June	As at 31 October
	2014	2015	2016	2017	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
					<i>(unaudited)</i>
Current assets					
Gross amounts due from					
customers for contract work	13,863	27,204	19,931	31,663	71,661
Trade and other receivables	98,328	117,656	69,897	118,725	210,526
Amounts due from directors	105,285	168,498	208,398	158,466	129,606
Amount due from a related company	15	15	–	–	–
Pledged deposits	33,023	47,168	37,647	32,860	32,097
Bank deposits	–	–	1,113	–	–
Cash and cash equivalents	8,504	1,971	19,835	8,229	17,597
Non-current assets classified as held for sale	–	–	–	8,000	–
	<u>259,018</u>	<u>362,512</u>	<u>356,821</u>	<u>357,943</u>	<u>461,487</u>
Current liabilities					
Gross amounts due to					
customers for contract work	2,146	1,787	1,818	3,733	2,701
Trade and other payables	142,815	139,311	100,448	142,985	173,745
Amounts due to directors	5,107	–	499	3,484	3,505
Bank loans and overdrafts and other borrowings	91,775	140,295	138,501	134,242	140,504
Tax payable	2,981	10,776	20,909	20,321	22,482
	<u>244,824</u>	<u>292,169</u>	<u>262,175</u>	<u>304,765</u>	<u>342,937</u>
Net current assets	<u>14,194</u>	<u>70,343</u>	<u>94,646</u>	<u>53,178</u>	<u>118,550</u>

As at 31 December 2014, we recorded net current assets of approximately MOP14.2 million. The key components of our current assets as at 31 December 2014 included gross amounts due from customers for contract work of approximately MOP13.9 million, trade and other receivables of approximately MOP98.3 million, amounts due from directors of approximately MOP105.3 million, pledged deposits of approximately MOP33.0 million, and cash and cash equivalents of approximately MOP8.5 million. The key components of our current liabilities as at 31 December 2014 included gross amounts due to customers for contract work of approximately MOP2.1 million, trade and other payables of approximately MOP142.8 million, amounts due to directors of approximately MOP5.1 million, bank loans and overdrafts and other borrowings of approximately MOP91.8 million, and tax payable of approximately MOP3.0 million.

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As at 31 December 2015, we recorded net current assets of approximately MOP70.3 million. The key components of our current assets as at 31 December 2015 included gross amounts due from customers for contract work of approximately MOP27.2 million, trade and other receivables of approximately MOP117.7 million, amounts due from directors of approximately MOP168.5 million, pledged deposits of approximately MOP47.2 million, and cash and cash equivalents of approximately MOP2.0 million. The key components of our current liabilities as at 31 December 2015 included gross amounts due to customers for contract work of approximately MOP1.8 million, trade and other payables of approximately MOP139.3 million, bank loans and overdrafts and other borrowings of approximately MOP140.3 million, and tax payable of approximately MOP10.8 million.

As at 31 December 2016, we recorded net current assets of approximately MOP94.6 million. The key components of our current assets as at 31 December 2016 included gross amounts due from customers for contract work of approximately MOP19.9 million, trade and other receivables of approximately MOP69.9 million, amounts due from directors of approximately MOP208.4 million, pledged deposits of approximately MOP37.6 million, bank deposits of approximately MOP1.1 million, and cash and cash equivalents of approximately MOP19.8 million. The key components of our current liabilities as at 31 December 2016 included gross amounts due to customers for contract work of approximately MOP1.8 million, trade and other payables of approximately MOP100.4 million, amounts due to directors of approximately MOP0.5 million, bank loans and overdrafts and other borrowings of approximately MOP138.5 million, and tax payable of approximately MOP20.9 million.

As at 30 June 2017, we recorded net current assets of approximately MOP53.2 million. The key components of our current assets as at 30 June 2017 included gross amounts due from customers for contract work of approximately MOP31.6 million, trade and other receivables of approximately MOP118.7 million, amounts due from directors of approximately MOP158.5 million, pledged deposits of approximately MOP32.9 million, cash and cash equivalents of approximately MOP8.2 million and non-current assets classified as held for sale of approximately MOP8.0 million. The key components of our current liabilities as at 30 June 2017 included gross amounts due to customers for contract work of approximately MOP3.7 million, trade and other payables of approximately MOP143.0 million, amounts due to directors of approximately MOP3.5 million, bank loans and overdrafts and other borrowings of approximately MOP134.2 million, and tax payable of approximately MOP20.3 million.

As at 31 October 2017, we recorded net current assets of approximately MOP118.6 million. The key components of our current assets as at 31 October 2017 included gross amounts due from customers for contract work of approximately MOP71.7 million, trade and other receivables of approximately MOP210.5 million, amounts due from directors of approximately MOP129.6 million, pledged deposits of approximately MOP32.1 million, and cash and cash equivalent of approximately MOP17.6 million. The key components of our current liabilities as at 31 October 2017 included gross amounts due to customers for contract work of approximately MOP2.7 million, trade and other payables of approximately MOP173.7 million, amounts due to directors of approximately MOP3.5 million, bank loans and overdrafts and other borrowings of approximately MOP140.5 million, and tax payable of approximately MOP22.5 million.

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TRADE AND OTHER RECEIVABLES

The following table sets forth a breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Trade debtors	33,608	51,614	17,256	72,717
Less: allowance for doubtful debts	<u>—</u>	<u>(522)</u>	<u>(522)</u>	<u>(522)</u>
	33,608	51,092	16,734	72,195
Deposits, prepayments and other receivables	54,756	42,328	16,596	6,489
Retention receivables	<u>9,964</u>	<u>24,236</u>	<u>36,567</u>	<u>40,041</u>
Total	<u><u>98,328</u></u>	<u><u>117,656</u></u>	<u><u>69,897</u></u>	<u><u>118,725</u></u>

Our trade and other receivables comprise (i) trade debtors, (ii) deposits, prepayments and other receivables, and (iii) retention receivables.

Trade debtors

Trade debtors represent certified work performed by us and billings raised to our customers but not yet settled. Gross trade debtors increased from approximately MOP33.6 million as at 31 December 2014 to approximately MOP51.6 million as at 31 December 2015, which was generally in line with the increase in revenue during the year. Trade debtors decreased to approximately MOP17.3 million as at 31 December 2016 mainly attributable to the settlement by the customer of a project relating to a sizeable hotel and casino resort upon the issue of final account by the end of 2016. Gross trade debtors increased from approximately MOP17.3 million as at 31 December 2016 to approximately MOP72.7 million as at 30 June 2017, which was mainly due to the progress payment applications of the sizable building construction project and two fitting-out projects for apartments located in Cotai, Macau being certified during the period from April to June 2017 but not yet settled.

We generally offer our customers a credit period of 0 to 45 days from the date of billing. Prior to taking up a project, we would carefully assess and consider various factors including but not limited to the relevant customer's size and background, credit history, financial condition and reputation, which we consider are essential factors for us to determine the credibility of such customer and the credit terms to be offered to our customer.

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The following table sets forth an aged analysis of trade debtors, based on billing dates (or date of revenue recognition, if earlier), net of allowance for doubtful debts:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	2017
Within 1 month	21,349	33,549	16,734	50,412
1 to 2 months	<u>12,259</u>	<u>17,543</u>	<u>–</u>	<u>21,783</u>
	<u><u>33,608</u></u>	<u><u>51,092</u></u>	<u><u>16,734</u></u>	<u><u>72,195</u></u>

As at 31 December 2015 and 2016 and 30 June 2017, trade debtors of approximately MOP0.5 million, MOP0.5 million and MOP0.5 million respectively were individually determined to be impaired. The individually impaired receivables were long overdue and our management assessed that these receivables are not recoverable. Consequently, specific allowances for doubtful debts of approximately MOP0.5 million, MOP0.5 million and MOP0.5 million were recognised at 31 December 2015 and 2016 and 30 June 2017, respectively. We do not hold any collateral over these balances.

Ageing analysis of trade debtors which are neither individually nor collectively considered to be impaired:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	2017
Neither past due nor impaired	27,917	48,941	16,734	71,639
Less than 1 month past due	5,691	–	–	556
1 to 3 months past due	<u>–</u>	<u>2,151</u>	<u>–</u>	<u>–</u>
	<u><u>5,691</u></u>	<u><u>2,151</u></u>	<u><u>–</u></u>	<u><u>556</u></u>
	<u><u>33,608</u></u>	<u><u>51,092</u></u>	<u><u>16,734</u></u>	<u><u>72,195</u></u>

Receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with us. Based on past experience, our management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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The following table sets forth the turnover days of trade debtors during the Track Record Period:

	Year ended 31 December			Six months ended 30 June 2017
	2014	2015	2016	2017
Trade debtors turnover days	94	47	14	54

Note: Trade debtors turnover days is calculated based on the closing trade debtors balances as at the year/period end divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year and 181 days for the six months ended 30 June 2017).

The trade debtors turnover days decreased from approximately 94 days for the year ended 31 December 2014 to approximately 47 days for the year ended 31 December 2015. The longer trade debtors turnover days for the year ended 31 December 2014 was mainly because more progress payment applications were certified near the year end of 2014, which resulted in a higher proportion of trade debtors to revenue recognised in 2014, as compared to 2015. The trade debtors turnover days of approximately 47 days for the year ended 31 December 2015 was in line with the credit period we generally offered to our customers. The decrease in trade debtors turnover days to approximately 14 days for the year ended 31 December 2016 was mainly attributable to the settlement of receivables from the customer of a sizeable hotel and casino resort upon issue of final account by the year end. The increase in trade debtors turnover days to approximately 54 days for the six months ended 30 June 2017 was mainly due to the progress payment applications of the sizable building construction project and two fitting-out projects for apartments located in Cotai, Macau being certified near the period end, and thus resulted in a higher proportion of trade debtors to revenue recognised for the period.

As at the Latest Practicable Date, approximately MOP32.1 million or 44.5% of the net trade debtors outstanding as at 30 June 2017 has been settled.

Retention receivables

Retention receivables represent the retention monies required by our customers to secure our due performance of contracts. Retention receivables are generally recognised immediately when the customers generally hold up a portion of each progress payment since payment of the first progress payment until 5% of the contract sum is reached rather than at the time when the certificate of completion is issued. Retention receivables are released by customers in accordance with the respective agreements with customers, which is generally released as to 50% after the issuance of the certificate of practical completion and as to the remaining 50% upon the issue of certificate of completion of making good defects after expiry of the defect liability period, generally approximately 12 months from the date of the certificate of practical completion.

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The following is an ageing analysis of retention receivables which are to be settled, based on the expiry of the defects liability period, at the end of each reporting period:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>2017</i> <i>MOP'000</i>
On demand or within one year	650	7,026	23,705	25,084
After one year	<u>9,314</u>	<u>17,210</u>	<u>12,862</u>	<u>14,957</u>
	<u>9,964</u>	<u>24,236</u>	<u>36,567</u>	<u>40,041</u>

As at 31 December 2014, 2015 and 2016 and 30 June 2017, our retention receivables were approximately MOP10.0 million, MOP24.2 million, MOP36.6 million and MOP40.0 million, respectively, which were generally in line with our business expansion. As at 30 June 2017, retention receivables which would be recovered within one year amounted to approximately MOP25.1 million, among which approximately MOP1.3 million had been settled subsequent to the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that the outstanding amount is related to projects which are currently either still in progress or under the defect liability period and hence is not overdue. In the event that retentions receivable may impair, we consider on a case-by-case basis and take into accounts of our customers' credit history, their reputation and financial condition for any impairment we need to make. During the Track Record Period, we did not experience any material difficulty in collecting retentions receivable from our customers and did not make any impairment in this regard.

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables mainly represent the deposits or the amount we paid in advance for subcontracting fees, material costs, insurance, rental, and utilities. As at 31 December 2014, 2015 and 2016 and 30 June 2017, our deposits, prepayments and other receivables amounted to approximately MOP54.8 million, MOP42.3 million, MOP16.6 million and MOP6.5 million, respectively. The decrease in deposits, prepayments and other receivables from approximately MOP54.8 million as at 31 December 2014 to approximately MOP42.3 million as at 31 December 2015 was mainly attributable to the decrease in prepayment we paid to a subcontractor undertaking the foundation work of our sizable building construction project as a result of completion of the foundation work in 2015. The significant decrease in deposits, prepayments and other receivables from approximately MOP42.3 million as at 31 December 2015 to approximately MOP16.6 million as at 31 December 2016 was mainly attributable to the decrease in prepayments we paid to the subcontractors for our sizable building construction project as a result of completion of a large portion of the construction works in 2016. The further decrease in deposits, prepayments and other receivables to approximately MOP6.5 million as at 30 June 2017 was mainly due to the decrease in prepayments we paid to the subcontractors for our sizeable building construction project as a large portion of the construction works has already been completed.

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TRADE AND OTHER PAYABLES

Our trade and other payables comprise (i) trade payables, (ii) retention payables, and (iii) other payables and accruals. The following table sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Trade payables	15,439	29,054	48,819	103,239
Retention payables	659	6,920	19,431	25,926
Other payables and accruals	<u>126,717</u>	<u>103,337</u>	<u>32,198</u>	<u>13,820</u>
Total	<u><u>142,815</u></u>	<u><u>139,311</u></u>	<u><u>100,448</u></u>	<u><u>142,985</u></u>

Trade payables

Trade payables mainly represent payables to subcontractors and material suppliers such as subcontracting fees and materials costs. The increase of our trade payables from approximately MOP15.4 million as at 31 December 2014 to approximately MOP29.1 million as at 31 December 2015 was mainly attributable to the increase in payables to our subcontractors, which was in line with the increase in our subcontracting fees. The increase in our trade payables from approximately MOP29.1 million as at 31 December 2015 to approximately MOP48.8 million as at 31 December 2016 was mainly attributable to the increase in payables to our subcontractors, which was in line with the increase in our subcontracting fees. The trade payables were further increased to approximately MOP103.2 million as at 30 June 2017, primarily attributable to increase in payables to our subcontractors for three new fitting-out projects which commenced works in April and June 2017, which was also in line with the increase in our subcontracting fees.

The credit period is granted by our subcontractors and material suppliers on a case-by-case basis. In general, our subcontractors and suppliers may require us to pay on demand or may grant us a credit period ranging from 10 to 90 days.

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The following is an ageing analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Within 1 month	12,114	21,522	26,913	35,669
1 to 3 months	2,412	1,627	13,197	41,738
3 to 6 months	885	2,163	468	9,338
Over 6 months	<u>28</u>	<u>3,742</u>	<u>8,241</u>	<u>16,494</u>
	<u>15,439</u>	<u>29,054</u>	<u>48,819</u>	<u>103,239</u>

A portion of our trade payables aged over six months as at 31 December 2015 and 2016 and 30 June 2017, as it took relatively long period of time for us to liaise with the relevant material suppliers in finalising the amount approved for settlement. In addition, the increase in trade payables aged more than three months from approximately MOP8.7 million as at 31 December 2016 to approximately MOP25.8 million as at 30 June 2017 was mainly attributable to the increase in payables to suppliers and subcontractors for three fitting-out projects, two of which had been completed and the relevant final accounts of our customers were issued in November 2016 and the remaining one was close to completion at period end, given that relatively long period of time was required to liaise with these suppliers and subcontractors in finalising the final payment for settlement.

The following table sets forth our trade payables turnover days during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2014	2015	2016	2017
	Trade payables turnover days	56	33	50

Note: Trade payables turnover days is calculated based on the closing trade payables as at the year/period end divided by cost of sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year and 181 days for the six months ended 30 June 2017).

Trade payables turnover days were approximately 56 days, 33 days and 50 days for the years ended 31 December 2014, 2015 and 2016 respectively, which were generally within the credit period granted by our subcontractors and material suppliers of 10 to 90 days. The increase in trade payables turnover days to approximately 103 days for the six months ended 30 June 2017 was mainly due to the increase in trade payables balance as at 30 June 2017. Such increase in trade payable balances was primarily attributable to (i) the commencement of two fitting-out projects close to the period end which incurred certain amount of payables

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to relevant suppliers and subcontractors; and (ii) the longer period of time required to liaise with the suppliers and subcontractors in finalising the final payment for settlement for the aforementioned three fitting-out projects, two of which had been completed and the relevant final accounts of our customers were issued in November 2016 and the remaining one was close to completion at period end.

As at the Latest Practicable Date, approximately MOP45.0 million or 43.6% of the trade payables outstanding as at 30 June 2017 has been settled.

Retention payables

Retention payables represent the retention money from our subcontractors to secure their due performance of contracts. Retention payables are recognised in respect of the retention money we hold up from the payments to some of our subcontractors from each progress payment (typically 10% of each progress payment), usually capped at the rate of 5% of total contract sum. Generally, the retention money will be released by us after we receive the corresponding retention money from our customers at the expiry of defect liability period. Therefore, the retention payables are to be settled within one to two years, based on the expiry of defect liability period, at the end of each reporting period.

The following is an ageing analysis of retention payables which are to be settled, based on the expiry of the defects liability period, at the end of each reporting period.

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
On demand or within one year	–	–	9,311	12,174
After one year	<u>659</u>	<u>6,920</u>	<u>10,120</u>	<u>13,752</u>
Total	<u>659</u>	<u>6,920</u>	<u>19,431</u>	<u>25,926</u>

Our retention payables increased from approximately MOP0.7 million as at 31 December 2014 to approximately MOP6.9 million as at 31 December 2015 and further to approximately MOP19.4 million and MOP25.9 million as at 31 December 2016 and 30 June 2017, respectively. The increase in our retention payables was mainly attributable to the contract work performed by our subcontractors during the Track Record Period on our sizable building construction project and two residential fitting-out projects that commenced in April 2017.

Other payables and accruals

Other payables and accruals mainly included advance payments received from our customer of the building construction projects, salaries and direct labour payable and other payables. Our other payables and accruals decreased from approximately MOP126.7 million as at 31 December 2014 to approximately MOP103.3 million as at 31 December 2015 and further to approximately MOP32.2 million and MOP13.8 million as at 31 December 2016

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and 30 June 2017, respectively. Such decrease was mainly attributable to the decrease in advance payments received from our customer of the sizeable building construction project as these advance payments were recorded as revenue or trade receivables upon completion of the work for our sizeable building construction project during the Track Record Period.

GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

Gross amounts due to customers for contract works represent fitting-out projects and building construction project in progress where our progress billings exceed the costs incurred plus recognised profits less recognised losses. Conversely, if the costs incurred plus recognised profits less recognised losses exceed progress billings, gross amounts due from customers for contract work will be recognised as current assets of our Group.

The following table sets forth our gross amounts due from customers for contract work and gross amounts due to customers for contract work as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Gross amounts due from customers for contract work				
Contract costs incurred plus recognised profits less recognised losses	123,339	442,563	601,544	121,283
Less: Progress billings received and receivable	<u>(109,476)</u>	<u>(415,359)</u>	<u>(581,613)</u>	<u>(89,620)</u>
	<u>13,863</u>	<u>27,204</u>	<u>19,931</u>	<u>31,663</u>
Gross amounts due to customers for contract work				
Progress billings received and receivable	17,511	79,861	35,177	510,533
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(15,365)</u>	<u>(78,074)</u>	<u>(33,359)</u>	<u>(506,800)</u>
	<u>2,146</u>	<u>1,787</u>	<u>1,818</u>	<u>3,733</u>

The gross amounts due from customers for contract work are usually affected by the volume and value of works we performed close to the end of each reporting period and the timing of receiving interim payment certificates, and thus vary from period to period. Our gross amounts due from customers for contract work increased by approximately MOP13.3 million from approximately MOP13.9 million as at 31 December 2014 to approximately MOP27.2 million as at 31 December 2015. The increase was mainly attributable to the costs

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incurred plus the recognised profits exceeding the progress billings in respect of the portion of works for the sizeable building construction project that were completed, certified by and billed during the year ended 31 December 2015. Our gross amounts due from customers for contract of work decreased by approximately MOP7.3 million from approximately MOP27.2 million as at 31 December 2015 to approximately MOP19.9 million as at 31 December 2016. Such decrease was mainly attributable to a greater portion of works for the sizeable building construction project and the sizable hotel and casino resort that were completed, certified by and billed during the year ended 31 December 2016. Our gross amounts due from customers for contract work increased by approximately MOP11.8 million from approximately MOP19.9 million as at 31 December 2016 to approximately MOP31.7 million as at 30 June 2017, among which an amount of approximately MOP31.3 million, or 98.9%, had been subsequently certified by the customers as at the Latest Practicable Date. The increase in our gross amounts due from customers for contract work was mainly attributable to the costs incurred plus the recognised profits exceeding the progress billings in respect of the portion of works of two residential fitting-out projects that were completed in April 2017 and certified in May 2017.

AMOUNTS DUE FROM/TO RELATED COMPANY /DIRECTORS

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Amount due from a related company	15	15	–	–
Amounts due from directors	105,285	168,498	208,398	158,466
Amounts due to directors	<u>5,107</u>	<u>–</u>	<u>499</u>	<u>3,484</u>

Please refer to Note 22(c) to the Accountants' Report set out in Appendix I to this prospectus for details. The amounts due from/to related company and Directors are unsecured, interest free and recoverable/repayable on demand. Amounts due from Directors represented the advance to Directors and are non-trade in nature. As at 30 June 2017, our amounts due from Directors amounted to approximately MOP158.5 million, among which (i) approximately MOP25.2 million had been settled by setting off part of the consideration payable to Mr. Che for acquisition of the properties in November 2017, (ii) approximately MOP75.0 million had been settled by setting off the dividends declared by our subsidiary in December 2017; and (iii) the remaining amount had been settled by Directors in cash. All balances with Directors had been settled.

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RELATED PARTY TRANSACTIONS

Please refer to the paragraph headed “Material related party transactions” in Note 22 of the Accountants’ Report set out in Appendix I to this prospectus.

The Directors are of the view that the related party transactions were conducted at arm’s length and on normal commercial terms, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our future performance.

INDEBTEDNESS

As at 31 December 2014, 2015 and 2016 and 30 June 2017 and 31 October 2017, the bank loans and overdrafts and other borrowings were secured as follows:

	As at 31 December			As at 30 June	As at 31 October
	2014	2015	2016	2017	2017
	<i>MOP’000</i>	<i>MOP’000</i>	<i>MOP’000</i>	<i>MOP’000</i>	<i>MOP’000</i>
Secured overdrafts	7,367	25,726	28,830	27,390	29,790
Secured bank loans	85,199	129,644	129,227	106,780	110,642
Unsecured other borrowings ^(Note)	357	286	214	179	143
	92,923	155,656	158,271	134,349	140,575

Note: The unsecured other borrowings represented the interest-free loan from the Industrial and Commercial Development Fund of the Macau Government. The loan is repayable half-yearly by instalments and the final instalment will be repayable in September 2019.

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As at 31 December 2014, 2015 and 2016 and 30 June 2017 and 31 October 2017, the bank loans and overdrafts and other borrowings were repayable as follows:

	As at 31 December			As at 30 June	As at 31 October
	2014	2015	2016	2017	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i> <i>(unaudited)</i>
Within 1 year or on demand	91,775	140,295	138,501	134,242	140,504
After 1 year but within 2 years	934	71	19,699	71	71
After 2 years but within 5 years	214	15,290	71	36	–
	1,148	15,361	19,770	107	71
	<u>92,923</u>	<u>155,656</u>	<u>158,271</u>	<u>134,349</u>	<u>140,575</u>

Notwithstanding the specified repayment schedules as stated in the facilities letters (“specific repayment terms”) which allow the loans to be repaid over a period of more than one year, certain banking facilities granted to our Group include a clause that gives the banks the unconditional rights to call the bank loans at any time (“repayment on demand clause”). The bank loans subject to the repayment on demand clause amounted to approximately MOP24.5 million, MOP26.6 million, MOP49.3 million and MOP42.5 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, which were therefore classified as current liabilities.

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We expect that the bank loans and overdrafts and other borrowings are to be repaid as follows based on the specific repayment terms:

	As at 31 December			As at 30 June	As at 31 October
	2014	2015	2016	2017	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i> <i>(unaudited)</i>
Bank loans, overdrafts and other borrowings due for repayment within one year or on demand:					
Overdrafts repayable on demand	7,367	25,726	28,830	27,390	29,790
Bank loans and other borrowings due for repayment within one year	<u>73,638</u>	<u>114,569</u>	<u>100,723</u>	<u>98,288</u>	<u>108,608</u>
	----- 81,005	----- 140,295	----- 129,553	----- 125,678	----- 138,398
Bank loans and other borrowings due for repayment after one year <i>(Note)</i> :					
After 1 year but within 2 years	11,704	71	20,466	839	196
After 2 years but within 5 years	214	15,290	6,541	6,184	374
After 5 years	<u>—</u>	<u>—</u>	<u>1,711</u>	<u>1,648</u>	<u>1,607</u>
	----- 11,918	----- 15,361	----- 28,718	----- 8,671	----- 2,177
	<u><u>92,923</u></u>	<u><u>155,656</u></u>	<u><u>158,271</u></u>	<u><u>134,349</u></u>	<u><u>140,575</u></u>

Note: The presentation of amounts due for repayment are based on the specific repayment terms set out in the facilities letters and the effect of any repayment on demand clause is ignored.

All of our bank loans and bank overdrafts were denominated in Macau Pataca dollar, Hong Kong dollar and United States dollar. The effective interest rates of bank loans as at 31 December 2014, 2015 and 2016 and 30 June 2017 were ranged from 2.94% to 5.50% per annum, 2.92% to 5.50% per annum, 2.47% to 5.25% per annum and 2.95% to 5.25% per annum, respectively. And the effective interest rates of bank overdrafts as at 31 December 2014, 2015 and 2016 and 30 June 2017 were ranged from 4.75% to 6.00% per annum,

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4.75% to 6.00% per annum, 4.75% to 6.00% per annum and 4.75% to 5.25% per annum, respectively. As at 31 October 2017 and as at the Latest Practicable Date, we had available unutilised bank facilities of approximately MOP63.1 million and MOP67.4 million, respectively.

As at 31 December 2014, 2015 and 2016 and 30 June 2017 and 31 October 2017, the banking facilities (including bank loans and overdrafts and performance bonds) granted to us were secured by: (i) an investment property held by us; (ii) pledged deposits of approximately MOP33.0 million, MOP47.2 million, MOP37.6 million, MOP32.9 million and MOP32.1 million as at 31 December 2014, 2015 and 2016 and 30 June 2017 and 31 October 2017, respectively; (iii) assignment of rental income derived from our investment property; (iv) corporate guarantees provided by certain subsidiaries of our Group; (v) guarantees provided by the Industrial and Commercial Development Fund of the Macau Government; (vi) personal guarantees provided by our Directors; (vii) personal properties owned by our Directors; and (viii) assignment of insurance proceeds over a Director. All of the outstanding guarantees and properties owned by our Directors as set out in items (vi) to (viii) above will be replaced by guarantees of our Company before Listing. Our Directors are of the view that we are able to obtain new banking facilities, as and when required, to be backed by our newly acquired properties at Rua Do Caetano, Macau, which have been mortgaged for a loan of approximately HK\$57.1 million, less than their market value of approximately HK\$81.5 million as at 31 October 2017. Taking into account our unutilized banking facilities of approximately MOP67.4 million as at the Latest Practicable Date and our ability to secure new banking facilities to be backed by such new properties, our Directors are of the view that we are able to obtain external funding for our business operations, as and when required.

As set out above, our banking facilities which include bank loans and overdraft and issuance of performance bonds are secured by, among others, the pledged deposits. As pledged deposits are only part of the securities provided to the banks to secure the banking facilities, the balance of pledged deposits is smaller than the amount of banking facilities granted. The banking facilities obtained by us can be utilised as bank overdraft, import loan, export loan, revolving loan and issuance of performance bonds at our discretion. The use of bank overdrafts over other forms of financing was primarily due to its flexibility given that there are no specific drawdown procedures or requirements.

Certain our Group's banking facilities are subject to covenants relating to certain of our Group's statements of financial position ratios, as are commonly found in lending arrangements with financial institutions. If we were to breach the covenants the drawn down facilities would become payable on demand. We regularly monitor our compliance with these covenants.

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Contingent Liabilities

At 31 December 2014, 2015 and 2016 and 30 June 2017 and 31 October 2017, contingent liabilities not provided for in our historical financial information for the Track Record Period were as follows:

	As at 31 December			As at 30 June	As at 31 October
	2014	2015	2016	2017	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
	<i>(unaudited)</i>				
Performance bonds given to customers for due and proper performance of projects undertaken by our subsidiaries	76,513	85,766	86,193	86,193	25,104
Advance payment bonds given to customers to guarantee an advance payment made to our subsidiaries	25,258	31,843	–	–	–
Bank guarantees given to potential customers for an invitation to tender	–	–	3,021	11,860	1,459
	<u>101,771</u>	<u>117,609</u>	<u>89,214</u>	<u>98,053</u>	<u>26,563</u>

Save as disclosed above, we did not have other outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities outstanding as at 31 October 2017.

During the Track Record Period, we procured the banks to provide performance bonds, which were backed by pledged deposits or existing bank facilities with the banks, to our customers. The banks would be required to compensate our customers up to the amount of the performance bonds in case we failed to fulfil the contracts with our customers. We would be liable to reimburse the banks for any claims paid by the banks. The guarantees given by us to customers through performance bonds constitute contingent liabilities of our Group as these relate to possible obligations that arise from past events the existence of which will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of our Group, as defined under Hong Kong Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets.

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Our Directors confirmed that there has not been any material change in our indebtedness since 31 October 2017. Our Directors confirmed that save as disclosed above, we have not raised material external debt financing and unlikely to do so in the near future. Our Directors confirmed that we had neither experienced any difficulties in repayment nor breached any major covenant of our banking facilities during the Track Record Period.

CAPITAL EXPENDITURES

We have incurred capital expenditure for the addition of property, plant and equipment, such as furniture, fixture and equipment and motor vehicles, amounting to approximately MOP174,000, MOP769,000, MOP13,000 and MOP25,000 for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 respectively.

WORKING CAPITAL

During the Track Record Period, we met our working capital and other liquidity requirements principally from cash from operations, bank loans and overdrafts and other borrowings.

Taking into account the financial resources available to our Group, including the internally generated funds, our available credit facilities and the estimated net proceeds from the Share Offer, our Directors are of the view that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this prospectus.

COMMITMENTS

Capital commitments

Our capital commitments outstanding at 31 December 2014, 2015 and 2016 and 30 June 2017 not provided for in the historical financial information for the Track Record Period were as follows:

	At 31 December			At 30
	2014	2015	2016	June
	MOP'000	MOP'000	MOP'000	2017
				MOP'000
Contracted for	<u>–</u>	<u>–</u>	<u>–</u>	<u>80,855</u>

On 25 April 2017, we entered into an agreement to purchase land and building at HK\$81,500,000 (equivalent to MOP83,945,000) from Mr. Che Chan U and the acquisition was completed on 15 November 2017. We planned to redevelop the building as our Group's office.

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Operating lease commitments

At the end of each reporting period, we had commitments for future minimum lease payments under non-cancellable operating leases:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Within 1 year	367	194	467	404
After 1 year but within 5 years	108	–	163	–
	475	194	630	404

Leases are negotiated for lease terms ranging from one to three years and rentals are fixed throughout the lease period.

DIVIDENDS

During the Track Record Period, our subsidiaries declared dividends to the then shareholders in aggregate amount of nil, approximately MOP15.4 million, MOP51.8 million and MOP63.8 million for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 respectively, which had been settled by setting off against amounts due from directors. Subsequent to the Track Record Period, our subsidiary declared dividends to the then shareholders in aggregate amount of approximately MOP75.0 million, which had been settled by setting off against amounts due from directors. We currently do not have a dividend policy and may declare dividends by way of cash or other means that our Directors consider appropriate. A decision to declare any dividend in the future would require the approval of the Board and depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividends will also be subject to the Memorandum and Articles of Association and the Companies Law. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. Currently, we do not have any predetermined dividend payout ratio.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed “Subsequent Events” in this section, our Group did not have any material off-balance sheet arrangements or commitments.

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DISTRIBUTABLE RESERVES

Our Company was incorporated on 24 April 2017 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 30 June 2017, please refer to Note 25 “Subsequent Events” to the Accountants’ Report set out in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2014	2015	2016	2017
Return on total assets (¹)	6.4%	15.5%	19.4%	N/A ⁽⁷⁾
Return on equity (²)	76.5%	89.2%	84.8%	N/A ⁽⁷⁾
Interest coverage (³)	10.7 times	13.3 times	11.9 times	15.3 times
	As at 31 December			As at 30 June
	2014	2015	2016	2017
Current ratio (⁴)	1.1	1.2	1.4	1.2
Gearing ratio (⁵)	4.4	2.4	1.9	2.4
Net debt to equity ratio (⁶)	2.5	1.7	1.2	1.7

Notes:

- Return on total assets is calculated by dividing profit for the respective year/period with total assets as at the end of the respective year/period multiplied by 100%.
- Return on equity is calculated by dividing profit for the respective year/period with total equity as at the end of the respective year/period multiplied by 100%.
- Interest coverage is calculated by dividing profit before interest and tax with interest expenses for the respective year/period.
- Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year/period.
- Gearing ratio is calculated by dividing total debts which include payables incurred not in the ordinary course of business with total equity as at the end of the respective year/period.

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6. Net debt to equity ratio is calculated by dividing total debts minus cash and cash equivalents, bank deposits and pledged deposits with total equity as at the end of the respective year/period.
7. Return on total assets/equity is not applicable since the recorded net profit only represents the amount for the six months ended 30 June 2017.

Return on total assets

Our return on total assets was approximately 6.4%, 15.5% and 19.4% for the years ended 31 December 2014, 2015 and 2016 respectively. The increase was mainly due to the increase in our profit for the year and partly offset by the expanded asset base as a result of the expansion of our business during the Track Record Period.

Return on equity

Our return on equity increased from approximately 76.5% for the year ended 31 December 2014 to approximately 89.2% for the year ended 31 December 2015, which was primarily due to the increase in our profit for the year of approximately 237.3% outweighed the increase in our equity of approximately 189.2%. The increase in our equity was mainly attributable to the accumulation of profit during the year ended 31 December 2015. Our return on equity decreased slightly to approximately 84.8% for the year ended 31 December 2016, which was primarily due to the increase in our general and administrative expenses, resulting from the listing expenses of approximately MOP4.2 million incurred for the year ended 31 December 2016.

Interest coverage

Our interest coverage ratio increased from approximately 10.7 times for the year ended 31 December 2014 to approximately 13.3 times for the year ended 31 December 2015, which was primarily due to the increase in our profit from operations of approximately 229.2% outweighed the increase in our finance costs of approximately 164.4%. Our interest coverage ratio decreased to approximately 11.9 times for the year ended 31 December 2016, which was primarily due to the increase in our finance costs of approximately 42.0% outweighed the increase in our profit from operations of approximately 27.3%. Our interest coverage ratio increased to approximately 15.3 times for the six months ended 30 June 2017, which was primarily due to the decrease in our finance cost resulting from the decrease in our bank loans and overdrafts.

Current ratio

Our current ratio remained relatively stable as at 31 December 2014, 2015 and 2016 and 30 June 2017 at approximately 1.1, 1.2, 1.4 and 1.2 respectively.

Gearing ratio and net debt to equity ratio

We recorded gearing ratio of approximately 4.4, 2.4 and 1.9 as at 31 December 2014, 2015 and 2016 respectively, and recorded net debt to equity ratio of approximately 2.5, 1.7 and 1.2 as at 31 December 2014, 2015 and 2016, respectively. Such decrease was primarily due to the increase in our equity as a result of the accumulation of profit during the Track

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Record Period. Our gearing ratio and net debt to equity ratio increased to approximately 2.4 and 1.7 as at 30 June 2017, respectively. Such increase was primarily due to the dividend declared of approximately MOP63.8 million during the six months ended 30 June 2017.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Exposure to credit, liquidity and interest rate risks arises in the normal course of our business. Our exposure to these risks and the financial risk management policies and practices used by us to manage these risks are described below.

Credit risk

Our credit risk is primarily attributable to bank deposits and trade and other receivables. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and we have exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0 to 45 days from the date of billing. Normally, we do not obtain collateral from customers.

At the end of the reporting period, we have significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with us, management does not consider our credit risk to be significant. As at 31 December 2014, 2015 and 2016 and 30 June 2017, 83%, 67%, 99% and 8% of the total trade debtors was due from our largest customer respectively and 100%, 96%, 100% and 98% of the total trade debtors was due from our five largest customers, respectively.

Liquidity risk

Individual subsidiaries within our Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. Our policy is to regularly monitor current and expected liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet our liquidity requirements in the short and longer term.

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The following table details the remaining contractual maturities as at 31 December 2014, 2015 and 2016 and 30 June 2017 of our financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 December 2014, 2015 and 2016 and 30 June 2017) and the earliest date we can be required to pay.

For bank loans subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter and, separately, the impact to the timing of the cash outflow if the lenders were to invoke unconditional rights to call the loans with immediate effect.

	As at 31 December 2014					More than 5 years MOP'000
	Carrying amount MOP'000	Total contractual undiscounted cash flow MOP'000	Within 1 year or on demand MOP'000	More than 1 year but less than 2 years MOP'000	More than 2 years but less than 5 years MOP'000	
Trade and other payables	142,815	142,815	142,156	–	659	–
Amounts due to directors	5,107	5,107	5,107	–	–	–
Bank loans and overdrafts and other borrowings	<u>92,923</u>	<u>94,128</u>	<u>82,008</u>	<u>11,906</u>	<u>214</u>	<u>–</u>
	<u>240,845</u>	242,050	229,271	11,906	873	–
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		<u>(691)</u>	<u>10,273</u>	<u>(10,964)</u>	<u>–</u>	<u>–</u>
		<u>241,359</u>	<u>239,544</u>	<u>942</u>	<u>873</u>	<u>–</u>

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	As at 31 December 2015					
	Carrying amount <i>MOP'000</i>	Total contractual undiscounted cash flow <i>MOP'000</i>	Within 1 year or on demand <i>MOP'000</i>	More than 1 year but less than 2 years <i>MOP'000</i>	More than 2 years but less than 5 years <i>MOP'000</i>	More than 5 years <i>MOP'000</i>
Trade and other payables	139,311	139,311	132,391	–	6,920	–
Bank loans and overdrafts and other borrowings	<u>155,656</u>	<u>158,192</u>	<u>141,841</u>	<u>867</u>	<u>15,484</u>	<u>–</u>
	<u><u>294,967</u></u>	<u>297,503</u>	<u>274,232</u>	<u>867</u>	<u>22,404</u>	<u>–</u>
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		<u>(234)</u>	<u>(234)</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u><u>297,269</u></u>	<u><u>273,998</u></u>	<u><u>867</u></u>	<u><u>22,404</u></u>	<u><u>–</u></u>
	As at 31 December 2016					
	Carrying amount <i>MOP'000</i>	Total contractual undiscounted cash flow <i>MOP'000</i>	Within 1 year or on demand <i>MOP'000</i>	More than 1 year but less than 2 years <i>MOP'000</i>	More than 2 years but less than 5 years <i>MOP'000</i>	More than 5 years <i>MOP'000</i>
Trade and other payables	100,448	100,448	90,328	10,120	–	–
Amounts due to directors	499	499	499	–	–	–
Bank loans and overdrafts and other borrowings	<u>158,271</u>	<u>160,655</u>	<u>131,266</u>	<u>20,929</u>	<u>6,707</u>	<u>1,753</u>
	<u><u>259,218</u></u>	<u>261,602</u>	<u>222,093</u>	<u>31,049</u>	<u>6,707</u>	<u>1,753</u>
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		<u>(813)</u>	<u>8,555</u>	<u>(979)</u>	<u>(6,636)</u>	<u>(1,753)</u>
		<u><u>260,789</u></u>	<u><u>230,648</u></u>	<u><u>30,070</u></u>	<u><u>71</u></u>	<u><u>–</u></u>

FINANCIAL INFORMATION

	Carrying amount <i>MOP'000</i>	Total contractual undiscounted cash flow <i>MOP'000</i>	As at 30 June 2017			More than 5 years <i>MOP'000</i>
			Within 1 year or on demand <i>MOP'000</i>	More than 1 year but less than 2 years <i>MOP'000</i>	More than 2 years but less than 5 years <i>MOP'000</i>	
Trade and other payables	142,985	142,985	129,233	13,752	–	–
Amounts due to directors	3,484	3,484	3,484	–	–	–
Bank loans and overdrafts and other borrowings	<u>134,349</u>	<u>136,345</u>	<u>127,362</u>	<u>1,028</u>	<u>6,279</u>	<u>1,676</u>
	<u>280,818</u>	282,814	260,079	14,780	6,279	1,676
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		<u>(640)</u>	<u>8,236</u>	<u>(957)</u>	<u>(6,243)</u>	<u>(1,676)</u>
		<u>282,174</u>	<u>268,315</u>	<u>13,823</u>	<u>36</u>	<u>–</u>

FINANCIAL INFORMATION

Interest rate risk

Our interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk. Our interest rate profile as monitored by management is set out in (i) below.

(i) *Interest rate profile*

The following table details the interest rate profile of our borrowings.

	2014		As at 31 December 2015		2016		At 30 June 2017	
	Effective interest rate (per annum)	Amount	Effective interest rate (per annum)	Amount	Effective interest rate (per annum)	Amount	Effective interest rate (per annum)	Amount
	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000
Net fixed rate borrowings:								
Other borrowings	-	357	-	286	-	214	-	179
Variable rate borrowings:								
Bank overdrafts	4.75% - 6.00%	7,367	4.75% - 6.00%	25,726	4.75% - 6.00%	28,830	4.75%-5.25%	27,390
Bank loans	2.94% - 5.50%	85,199	2.92% - 5.50%	129,644	2.47% - 5.25%	129,227	2.95%-5.25%	106,780
		92,566		155,370		158,057		134,170
Total net borrowings		<u>92,923</u>		<u>155,656</u>		<u>158,271</u>		<u>134,349</u>
Net fixed rate borrowings as a percentage of total net borrowings		<u>0.4%</u>		<u>0.2%</u>		<u>0.1%</u>		<u>0.1%</u>

(ii) *Sensitivity analysis*

As at 31 December 2014, 2015 and 2016 and 30 June 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our profit after taxation and total equity by approximately MOP815,000, MOP1,367,000, MOP1,391,000 and MOP1,181,000, respectively, in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The impact on our profit after tax and total equity is estimated as an annualised impact on interest expense of such changes in interest rates. The analysis has been performed on the same basis during the Track Record Period.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION

A valuation on our property interests in the properties of Em Macau, Rua das Estalagens No. 112-112B, Meng Yu, Rés-Do-Chão A, which were disposed of by us subsequent to the Track Record Period on 7 July 2017, has been conducted by Savills (Macau) Limited, an independent property valuer. Valuation certificate issued by Savills (Macau) Limited is included in the section headed “Appendix III – Property Valuation” in this prospectus.

The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from our combined financial information as at 30 June 2017 with the valuation of property interests as at 31 October 2017:

	<i>MOP'000</i>
Net book value of the property interests as at 30 June 2017 (audited)	7,999
Movement from 30 June 2017 to 7 July 2017 (unaudited)	
Depreciation	<u>(34)</u>
Net book value of the property interests as at 7 July 2017 (unaudited)	7,965
Valuation surplus	<u>33,235</u>
Valuation as at 31 October 2017 as set out in the Property Valuation Report in Appendix III ^{Note}	<u><u>41,200</u></u>

Note: The valuation of the property interests as at 31 October 2017 of HK\$40,000,000 (equivalent to MOP41,200,000) as set out in the Property Valuation Report in Appendix III.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company has been prepared, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2017. Please see the section headed “Appendix II – Unaudited pro forma financial information” in this prospectus for details.

FINANCIAL INFORMATION

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$39.2 million (equivalent to approximately MOP40.4 million) (assuming an Offer Price of HK\$1.20 per Share (being the mid-point of the Offer Price range) and no exercise of the Over-allotment Option). Of such amount, approximately HK\$16.3 million (equivalent to approximately MOP16.8 million) is directly attributable to the Share Offer and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$22.9 million (equivalent to approximately MOP23.6 million), which cannot be so deducted, has been or will be charged to profit or loss. In this regard, approximately HK\$11.9 million (equivalent to approximately MOP12.2 million) has been charged to profit or loss for the Track Record Period, and approximately HK\$1.7 million (equivalent to approximately MOP1.8 million) and approximately HK\$9.3 million (equivalent to approximately MOP9.6 million) are expected to be charged to profit or loss for the six months ending 31 December 2017 and the year ending 31 December 2018, respectively. Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform the Shareholders and potential investors that our financial performance and results of operations for the years ending 31 December 2017 and 2018 will be affected by the estimated expenses in relation to the Listing.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have submitted 21 tenders or quotations, included 16 fitting-out projects with an aggregate expected contract sum of approximately MOP261.1 million, and five building construction projects with an aggregate expected contract sum of approximately MOP445.7 million, among which three fitting-out projects with an aggregate contract sum of approximately MOP7.2 million and one building construction project with a contract sum of approximately MOP86.3 million were awarded to us during the same period. The results of the remaining 17 projects, comprising 13 fitting-out projects with an aggregate expected contract sum of approximately MOP253.9 million and four building construction projects with an aggregate expected contract sum of approximately MOP359.4 million, were not available as at the Latest Practicable Date.

As at the Latest Practicable Date, including the tenders and quotations submitted during the Track Record Period, we had 20 projects of which we had yet to receive results after submitting tenders or quotations with an aggregate expected contract sum of approximately MOP890.6 million.

As at the Latest Practicable Date, we had 12 ongoing projects, comprising ten fitting-out projects and two building construction projects, with an aggregate contract sum of approximately MOP891.3 million. A total amount of approximately MOP225.4 million from the ongoing projects is expected to be recognised as our revenue subsequent to the Track Record Period. In addition, as at the Latest Practicable Date, we had one building construction project which is yet to commence, with a contract sum of approximately MOP86.3 million.

FINANCIAL INFORMATION

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have completed five fitting-out projects with an aggregate contract sum of approximately MOP48.6 million, among which a total amount of approximately MOP8.8 million is expected to be recognised as our revenue subsequent to the Track Record Period.

On 25 April 2017, Space Construction entered into provisional sale and purchase agreements with Mr. Che, our executive Director and a Controlling Shareholder, pursuant to which Space Construction has agreed to acquire, and Mr. Che has agreed to sell, a property in Macau for a total consideration of HK\$81,500,000 (equivalent to approximately MOP83,945,000). Our Directors planned to redevelop the property as our Group's office. The acquisition had been completed on 15 November 2017. The acquisition was financed by a bank loan covering 70% of the total consideration for the acquisition, which amounted to HK\$57,050,000 (equivalent to approximately MOP58,761,500), and the remaining amount of the consideration was offset by the amount due from Mr. Che. In addition, on 27 April 2017, Space Construction entered into a provisional sale and purchase agreement with Mr. Che, pursuant to which Mr. Che has agreed to acquire, and Space Construction has agreed to sell, our investment property, which is a retail shop, for a total consideration of HK\$40,000,000 (equivalent to approximately MOP41,200,000). The disposal had been completed on 7 July 2017. We recorded a gain of approximately MOP31.5 million from such disposal. For further details, please refer to the sections headed "Business – Properties", "Relationship with Controlling Shareholders – Discontinued Connected Transactions" and "Appendix III – Property valuation" in this prospectus.

Save as the Listing expenses as stated in the paragraph headed "Listing expenses" in this section and the estimated gain on the disposal of our investment property as aforementioned, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2017 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 30 June 2017 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business – Business Strategies” in this prospectus for detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to be received by us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$1.20 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$188.8 million (equivalent to approximately MOP194.5 million), assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately HK\$46.1 million (equivalent to approximately MOP47.4 million) or approximately 24.4% of the net proceeds to finance our fitting-out projects in Macau, which include payment of start-up costs for new projects, among which approximately HK\$15.3 million (equivalent to approximately MOP15.7 million or 8.1% of net proceeds) to be used for provision of performance bonds and approximately HK\$30.8 million (equivalent to approximately MOP31.7 million or 16.3% of net proceeds) to be used for prepayment of material costs and subcontracting fees;
- approximately HK\$127.6 million (equivalent to approximately MOP131.5 million) or approximately 67.6% of the net proceeds to finance our building construction projects in Macau, which include (i) approximately HK\$19.4 million (equivalent to approximately MOP20.0 million or 10.2% of net proceeds) to be used for purchase of construction machineries and equipment; (ii) approximately HK\$5.2 million (equivalent to approximately MOP5.4 million or 2.8% of net proceeds) to be used for payment of labour costs; and (iii) the remaining amount of approximately HK\$103.0 million (equivalent to approximately MOP106.1 million or 54.5% of net proceeds) to be used for start-up costs for new projects, among which approximately HK\$43.8 million (equivalent to approximately MOP45.1 million or 23.2% of net proceeds) to be used for provision of performance bonds and approximately HK\$59.2 million (equivalent to approximately MOP61.0 million or 31.3% of net proceeds) to be used for prepayment of material costs and subcontracting fees; and
- approximately HK\$15.1 million (equivalent to approximately MOP15.6 million) or approximately 8% of the net proceeds to be the general working capital of our Group.

Further details on the use of proceeds for start-up costs for new projects

Our start-up costs for new projects include provision of performance bonds and prepayment of material costs and subcontracting fees. The performance bonds are generally issued by a bank backed by cash collateral or our current banking facilities with the bank. Our Group has obtained combined banking facilities from our principal banks which may be

FUTURE PLANS AND USE OF PROCEEDS

utilised for the provision of performance bonds. As at the Latest Practicable Date, our Group has an existing unutilised bond line of approximately MOP65.2 million that can be issued by the bank as performance bond in favour of our customers. For such performance bonds that are backed by our current banking facilities, we are only required to pledge an amount, which is equivalent to approximately 25% of the bond value, as bank deposit to the bank. However, once we had utilised our existing bond line, we will be required to pledge bank deposit, which amounts to 100% of the bond value, to the bank.

Fitting-out projects

As at the Latest Practicable Date, we had 15 fitting-out projects for which we had yet to receive results after submitting tenders or quotations, with an aggregate expected contract sum of approximately MOP467.9 million. Based on our Directors' best estimation and the information available as at the Latest Practicable Date, among these 15 projects, our Group is confident to obtain the following three fitting-out projects, with an aggregate expected contract sum of approximately MOP158.4 million:

- a fitting-out project in Macau with a new customer for which the contract is in the process of finalisation between us and the potential customer as at the Latest Practicable Date. Our Directors expect that this project may be awarded to us in the first quarter of 2018;
- a fitting-out project in Macau with one of our existing customers for which we had already responded to two rounds of post tender queries as at the Latest Practicable Date. Our Directors expect that this project may be awarded to us in the first quarter of 2018; and
- a fitting-out project in Macau with one of our five largest customers during Track Record Period for which we had already attended a few discussion sessions with such potential customer on design plan as at the Latest Practicable Date. Our Directors expect that this project may be awarded to us in the second quarter of 2018.

We generally receive tender or quotation invitations from our existing or potential customers from time to time. After tender or quotation submission and depending on the practice of the customers on a case by case basis, the customers may generally shortlist potential candidates for interviews and/or may raise queries on the tender or quotation submitted by the shortlisted candidates and finally negotiate the price and/or other contract terms with the shortlisted candidates, before awarding contracts to the selected candidates. As such, based on our Directors' experience, only potential candidates who were shortlisted will be asked to respond to post tender queries and/or invited to attend such discussion sessions as mentioned above. Further, the first prospective project listed above is already in the process of finalizing the relevant contract as at the Latest Practicable Date. In view of the above, our Group is confident to obtain the above prospective projects.

Given the sizes of the last two prospective projects and/or nature of the potential customers listed above, our Directors expect that we will be required to issue performance bonds for such two prospective projects, the amount of which is estimated to be

FUTURE PLANS AND USE OF PROCEEDS

approximately MOP15.7 million, which is expected to be fully funded by the net proceeds. Our Directors also estimate that the prepayment of material costs and subcontracting fees in respect of the above three prospective projects is approximately MOP31.7 million, which is expected to be fully funded by the net proceeds.

Building construction projects

As at the Latest Practicable Date, we had one awarded building construction project with a contract sum of approximately MOP86.3 million which is yet to commence. Given the size and nature of such project and our role as the main contractor, we will be required to issue performance bonds in favour of our customer, the amount of which is estimated to be approximately MOP8.6 million, which is expected to be fully funded by the net proceeds. In addition, the prepayment of material costs and subcontracting fees in respect of such project will also be fully funded by the net proceeds of approximately MOP17.3 million.

As at the Latest Practicable Date, we had five building construction projects for which we had yet to receive results after submitting tenders or quotations, with an aggregate expected contract sum of approximately MOP422.7 million. Based on our Directors' best estimation and the information available as at the Latest Practicable Date, among these five projects, our Group is confident to obtain the following two building construction projects which relate to the same construction site and same potential customer, with an aggregate expected contract sum of approximately MOP364.3 million:

- a building construction project in Macau for which we had already attended the tender interview as at the Latest Practicable Date. Based on our Directors' knowledge, there were only two contractors (including our Group) who were shortlisted for such project and it was known to our Directors that the consultant of such project has recommended to the potential customer the engagement of our Group over the other contractor in respect of such project. Our Directors expect that this project may be awarded to us in the first quarter of 2018; and
- a building construction project in Macau which relates to the first prospective building construction project. Our Directors estimate that this project may be awarded to us in the fourth quarter of 2018.

Such two building construction projects were also related to the first prospective fitting-out project discussed above for which our contract with the potential customer is in the process of finalisation. Our Directors therefore are of the view that we are likely to obtain these two prospective building construction projects. Given the size and nature of such two prospective projects listed above and our potential role as the main contractor in these projects, our Directors expect that we will be required to issue performance bonds for such two prospective projects, the amount of which is estimated to be approximately MOP36.5 million, which will be fully funded by the net proceeds. In addition, the prepayment of material costs and subcontracting fees in respect of the above two prospective projects will be partially funded by the net proceeds of approximately MOP43.7 million.

FUTURE PLANS AND USE OF PROCEEDS

We generally receive tender or quotation invitations from our existing or potential customers from time to time. During the Track Record Period, we had received 90 tender or quotation invitations for fitting-out projects. Leveraging on (i) our established position in the fitting-out industry in Macau of which we were ranked as the second largest fitting-out contractor in terms of estimated revenue derived from Fitting-out Works in Macau in 2016; and (ii) proven track record in fitting-out industry in Macau where since our inception, we had served five out of six licensed casino gaming operators in Macau, coupled with the opportunities for submitting tender or quotation offered by our existing or potential customers from time to time in view of our established position, reputation and proven track record, we are able to maintain a continuing flow of projects. As such, our Directors are of the view that even if the aforementioned prospective projects are not awarded to us or if performance bonds are no longer required for such projects, we can still apply the net proceeds on start-up costs (including the provision of performance bonds and prepayment of material costs and subcontracting fees) in respect of other projects to be secured by us.

Further details on the use of proceeds for purchase of construction machineries and equipment for building construction projects

Proceeds from the Share Offer for purchase of construction machineries and equipment will be mainly used to purchase the following types of machineries and equipment by the year ending 31 December 2018:

Types of construction machineries and equipment	Number of construction machineries and equipment	Approximate amount of proceeds from the Share Offer <i>MOP'000</i>
1. Lorry cranes	2	4,000
2. Tower cranes	2	3,000
3. Concrete Pump trucks	2	4,000
4. Placing booms	2	2,000
5. Passenger hoists	2	2,000
6. Unloading platforms	4	2,000
7. Loader	1	300
8. Excavators	2	2,000
9. Power generator	1	500
10. Hand-held tools	N/A	200
Total		20,000

Our Group did not purchase and own any construction machineries and equipment in the past due to limited financial resources. In order to cope with our expansion plan in the building construction industry, there will be an imperative need for us to acquire our own construction machineries and equipment for the following reasons:

- It is our Group's strategy to expand our market share and compete for more building construction projects. Our capacity to undertake building construction projects for our customers hinges on the availability of our operational resources

FUTURE PLANS AND USE OF PROCEEDS

including construction machineries and equipment. Our Directors believe that our investment in machineries and equipment will place us in a position to cater for building construction works of different scales and complexity and to meet the expected growing demand in the building construction industry in Macau in the foreseeable future.

- Having our own machineries and equipment will reduce our reliance on subcontractors for the provision of machineries and equipment in the execution of our project works. In the past, we relied on our subcontractors to provide the machineries and equipment for our building construction projects. Our Directors are of the view that it would benefit our Group in the long run as it would enhance our efficiency and effectiveness during the course of project execution. If the subcontractors are required to provide machineries and equipment, it is necessary for our Group to match with their work schedule as their machineries and equipment may be used in some other projects at the material times. We can have more flexibility and better control over our work schedule and progress of the projects on hand if we have our own construction machineries and equipment.
- We will also be able to broaden our approved list of subcontractors to include subcontractors who do not own the required machineries and equipment to execute the project works. This enables us to have more choices and higher flexibility over the selection of our subcontractors.
- In addition to project execution, with our own construction machineries and equipment, we will be able to secure more new projects. In tendering for new projects, availability of machineries and equipment is one of the assessment criteria of our potential customers. In order to increase our tender success rate for the projects to be tendered, it is necessary for us to enhance our competitiveness by establishing our own fleet of machineries and equipment. As such, our Directors believe that we have needs to raise fund to purchase the above machineries and equipment to compete for more building construction projects.

Upon the purchase of such new construction machineries and equipment, an annual additional depreciation expenses of approximately MOP2.5 million is expected to be incurred in accordance with the accounting policies adopted by our Group, based on the estimated useful lives of five to ten years for the machineries and equipment. Based on our Directors' estimation with reference to the quotation of subcontracting fees from a prospective subcontractor, the subcontracting fees could be reduced by approximately MOP4.2 million per year if we have those construction machineries and equipment that we plan to acquire, instead of requiring subcontractors to procure the same. Taking into account of the estimated annual depreciation expenses of approximately MOP2.5 million for the construction machineries and equipment that we plan to acquire and the estimated amount of subcontracting fees of approximately MOP4.2 million that can be reduced each year as mentioned above, our Directors consider that it is more cost effective to purchase our own construction machineries and equipment, instead of procuring from subcontractors. In addition, based on the total purchase price and the estimated fee that can be reduced each

FUTURE PLANS AND USE OF PROCEEDS

year in respect of such construction machineries and equipment, it is estimated that the payback period for the investment of such machineries and equipment to be around 4.8 years, which is shorter than their expected useful lives of five to ten years.

Further details on the use of proceeds for expansion of our workforce for building construction projects

We intend to use approximately HK\$5.2 million (equivalent to approximately MOP5.4 million) of the net proceeds from the Share Offer for expansion of our workforce both at worksite level and office level by recruiting high caliber talents in the building construction industry. In this regard, we plan to recruit one project director and one civil engineer at office level, who will be responsible for overseeing overall project implementation of our building construction projects, as well as two project managers, three safety officers and six foremen at worksite level to reinforce our existing project team.

The following table sets out a breakdown of additional staff that we plan to employ by functions:

Additional staff to be employed by functions	Approximate amount of proceeds from the Share Offer allocated for recruiting the additional staff MOP'000
At office level	
<ul style="list-style-type: none"> ● a project director with relevant university degree or above and should have at least 15 years of relevant experience; and 	900
<ul style="list-style-type: none"> ● a Macau registered civil engineer with relevant university degree or above and should have at least 5 years of relevant experience 	420
At worksite level	
<ul style="list-style-type: none"> ● two project managers with relevant university degree or above and should have at least five years of relevant experience; 	1,200
<ul style="list-style-type: none"> ● three Macau qualified safety officers with at least five years of relevant experience; and 	1,080
<ul style="list-style-type: none"> ● six foremen with at least five years of relevant experience 	1,800
Total	5,400

Our Directors consider that the undertaking of building construction works generally required experience and specified skill sets, and thus recruiting staff with the necessary skills at all levels is essential for our business expansion, so as to ensure that we have sufficient on-site workforce for projects that we have tendered and secured. Such recruitment would in turn help us to strengthen our project implementation capability for our overall

FUTURE PLANS AND USE OF PROCEEDS

project need. As such, by expanding our workforce for building construction projects, we believe that our capacity is enlarged and set for undertaking a greater number of projects in the future to capitalise the expected growing demand of the building construction industry in Macau. The schedule of hiring additional staff depends on the number, size and timeline of the projects to be secured.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.40 per Offer Share, the net proceeds we receive from the Share Offer (assuming the Over-allotment Option is not exercised) will increase by approximately HK\$36.9 million (equivalent to approximately MOP38.0 million). We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$1.00 per Offer Share, the net proceeds we receive from the Share Offer (assuming the Over-allotment Option is not exercised) will decrease by approximately HK\$36.9 million (equivalent to approximately MOP38.0 million). We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Offer Shares to be received by us, after deducting underwriting fees and estimated expenses in connection with the Share Offer, will be approximately (i) HK\$38.7 million (equivalent to approximately MOP39.9 million), assuming that the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.40 per Offer Share; (ii) HK\$33.2 million (equivalent to approximately MOP34.2 million), assuming that the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$1.20 per Offer Share; and (iii) HK\$27.6 million (equivalent to approximately MOP28.4 million), assuming that the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$1.00 per Offer Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. Should our Directors decide to re-allocate the intended use of proceeds to other business plans of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Share Offer are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest bearing bank accounts with licensed banks and/or financial institutions.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING IN HONG KONG

We believe that the Listing represents an important step to implement our business strategies. Through the Listing, not only we can raise funds from the Share Offer and apply them to the above uses, we believe we will also be able to gain access to capital market for future secondary fund raising for our further expansion plans as and when necessary through the issuance of equity and/or debt securities, with relatively lower financing cost as compared with banking financing as can be obtained by a private company. Following the Listing, our Directors believe our Group will gain additional leverage in obtaining financing with relatively more favourable terms and higher bargaining power in negotiating terms with our business partners. In addition, our Directors also believe that customers may prefer to do business with a listed company given its reputation, listing status, public financial disclosures and general regulatory supervision by relevant regulatory bodies. We also consider that the Listing, which itself is a form of complimentary advertising, will enhance our Group's corporate profile, market reputation and brand awareness which will strengthen our customers' confidence in our Group and in turn boost our business.

Our Company is applying for listing in Hong Kong because it has a high level of internationalisation, maturity in the global financial market, with sufficient institutional capital and funds following the companies listed in Hong Kong. Therefore, our Company believes that there will be higher liquidity and valuation, and greater exposure to a broader analyst and investment community, which would facilitate our future fund raising should such need arise. Our Directors believe that the Listing would help to raise our Group's brand awareness and publicity on an international level, making our Company's services known to new potential local and international customers.

Commercial rationale for the Listing

(i) Enhance our Group's corporate profile competitiveness and brand awareness

Our Directors consider that the Listing of our Company is the key strategy for us to enhance our level of competitiveness among customers and other business stakeholders. Some of our major competitors in fitting-out and building construction industry in Macau are listed on the Stock Exchange. It is expected that both public and private customers would tend to give preference to contractors who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. In particular, some of our major customers are listed companies and they may prefer to engage fitting-out or construction contractors which is also a listed company. According to the Frost & Sullivan Report, our Group ranked as the second largest fitting-out contractor in Macau in 2016 in terms of estimate revenue, with approximately 1.9% market share. As such, our Directors believe that our Group will be able maintain its competitiveness against the market leaders and differentiated from other competitors which are private companies during the tendering process, thus enhancing our success rate in securing for sizeable projects.

Our Directors also believe that the Listing will enhance our corporate profile and brand awareness among business stakeholders such as customers, contractors, project owners and government authorities. We believe that the Listing will strengthen our internal control and

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corporate governance practices, which in turn would increase our customers' and suppliers' confidence on us and attract potential new customers, as well as qualified suppliers and subcontractors.

To effectively implement our business strategies involving our staff, our Directors further believe that as a listed company, we will be able to retain our existing staff more effectively, at both operational and administrative level. We believe that our staff will feel more secured about their employment with us, as a listed company, hence strengthening their work morale. Our Directors consider that this will help in improving the efficiency of our daily operations, and enhancing our long-term development and competitiveness.

Based on the above, the Directors consider that the Listing would bring about the above intangible benefit that could justify the costs, the risks and uncertainties involved in its listing application.

(ii) Ease of raising funds in capital market for future business development

Despite the fact that our Group was able to expand our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans when they fell due in the past, our Group still plans to seek equity or equity-linked financing as it would ease our cash flow instead of debt financing from bank or financial institutions due to the following reasons:

- (a) debt financing from banks or financial institutions normally requires collaterals, such as cash deposit, properties and/or personal guarantee from our Group and/or our Controlling Shareholders in order to secure bank borrowing for our Group, which would increase our reliance on our Controlling Shareholders and negatively affect our liquidity of cash. On the other hand, our Directors consider that as a group of private companies usually does not have a large amount of fixed assets as collateral, it would be difficult for our Group, without a listing status, to obtain bank borrowings at a competitive rate without guarantee to be provided by our Controlling Shareholders. Taking into account the fact that (i) our Group's cash outflow exposure at the initial stage of each project; and (ii) it is necessary to maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth in the long run, our Directors consider that the net proceeds from the Share Offer are necessary for the implementation of our business plans as opposed to debt financing given it is not permanent in nature and the interest expenses would impose additional cash flow burden to our Group; and
- (b) heavy reliance on debt financing would subject our Group to the inherent risks of higher interest rate and finance costs. Our Group's financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed with debt financing to fund our business expansion.

The Listing will allow us to access the capital market for fund raising, which in turn will benefit our future business development and enhance our competitiveness. Our Group will then be able to use secondary fund raising after the Listing for our future expansion

FUTURE PLANS AND USE OF PROCEEDS

plans and when necessary, through the issuance of equity and/or debt securities. Hence, our Group will then be able to maintain a lower level of gearing ratio, which will benefit our Groups and Shareholders as a whole, and enhance our capital structure. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes our Group to increasing financial costs in the future.

While we will continue to obtain certain amount of banking facilities after the Listing alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a listed company with enlarged capital structure, which in turn would enable our Group to obtain debt financing with more favourable terms from banks and financial institutions.

(iii) Diversification of shareholder base and have more liquidity in trading of Shares

Our Directors believe that the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

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PUBLIC OFFER UNDERWRITERS

CLC Securities Limited
Innovax Securities Limited
CNI Securities Group Limited
Marketsense Securities Limited
Ping An Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 19,000,000 Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Public Offer Underwriters have agreed, severally but not jointly, to subscribe for, or procure subscribers to subscribe for, their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination of the Public Offer Underwriting Agreement

If any of the events set out below shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall be entitled by notice (orally or in writing) given to our Company to terminate the Public Offer Underwriting Agreement with immediate effect:

- (a) there shall develop, occur or come into force:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has or

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is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

- (ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong, Macau, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or
- (iii) without prejudice to sub-paragraph (i) of paragraph above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (iv) any event, or series of events, beyond the control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such; or
- (v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, Macau, the BVI, the Cayman Islands or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such in a material way; or
- (vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, Macau, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries; or
- (viii) any governmental authority, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court,

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tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or Director; or

- (ix) order or petition for the winding up of any members of our Group or any composition or arrangement made by any members of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any members of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any members of our Group; or
 - (x) and any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), (i) has or may have a material adverse effect on the success of the Share Offer, or the level of applications under the Public Offer or the level of interest under the Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (iii) makes it inadvisable or inexpedient to proceed with the Share Offer; or (iv) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
- (b) there comes to the notice of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) any matter or event showing any of the representations and warranties contained in the Public Offer Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors or our executive Directors under the Public Offer Underwriting Agreement not to have been complied with in any respect considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material; or
- (c) there comes to the notice of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) any breach on the part of our Company or any of the covenantors or our executive Directors of any provisions of the Public Offer Underwriting Agreement in any respect which is considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material; or

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- (d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), the Stock Exchange, the legal adviser to the Sole Bookrunner and the Underwriters and any other parties involved in the Share Offer which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
- (e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, was to be issued at that time, constitute, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) a material omission of such information; or
- (f) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of our Group which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) is material; or
- (g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued under the Share Offer and the Shares to be issued pursuant to the Capitalisation Issue is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
- (j) there comes to the notice of the Sole Sponsor or the Sole Bookrunner or any of the Underwriters any information, matter or event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):
 - (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form B) given by any Directors pursuant to the Share Offer; or
 - (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

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Undertakings to the Stock Exchange

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Share Offer (including the Over-allotment Option), 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 our Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Share Offer (including the Over-allotment Option), they will not at any time:

- (a) during the period commencing on the date by reference to which disclosure of his/her/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or
- (b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

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- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Undertakings pursuant to the Public Offer Underwriting Agreement

Each of the Controlling Shareholders, jointly and severally, has given an undertaking to each of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Managers and the Public Offer Underwriters that, save for any lending of Shares by Space Investment pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its close associates will:

- (i) during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six Month Period**”), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period); and

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- (ii) he, she or it will not, during the period of six months commencing on the date on which the First Six Month Period expires and including, the date that is six months after the end of the First Six Month Period (the “**Second Six Month Period**”), enter into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he, she or it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him, her or it and/or any of his, her or its close associate which owns such Shares or interests as aforesaid; and

- (iii) until the expiry of the Second Six Month Period, in the event that he, she or it enters into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he, she or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Except for the offer and sale of the Offer Shares pursuant to the Share Offer (including pursuant to the Over-allotment Option) and the issue and allotment of Shares pursuant to the Capitalisation Issue as disclosed in this prospectus, during the First Six Month Period, our Company undertakes to each of the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Managers, the Sole Sponsor and the Public Offer Underwriters not to, and to procure each member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable); or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable

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for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such members of our Group, as applicable); or

- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Company, our Controlling Shareholders and executive Directors undertakes to each of the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Managers, the Sole Sponsor and the Public Offer Underwriters to procure our Company to comply with the undertakings in this paragraph.

Each of our Company, our Controlling Shareholders and executive Directors undertakes to and covenants with the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Managers and the Public Offer Underwriters that save with the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), no company in our Group will during the First Six Month Period purchase any securities of our Company.

Without prejudice to the above, each of our Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Managers and the Public Offer Underwriters that:

- (i) save with the prior written consent from the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and to the extent as allowed under the Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, he, she or it shall not and shall procure that none of his, her or its close associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him, her or it or any of their close associates or in which he, she or it or any of their close associates is, directly or indirectly, interested immediately following completion of the Share Offer (or any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend

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or otherwise) or any share or interest in any company controlled by him, her or it or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

- (ii) in the event that notification is given to the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), when he, she or it or any of their close associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in (i) above, he, she or it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the “**Mortgagee**”) in favour of whom the pledge, charge, encumbrance or interest is created and further if he, she or it or any of their close associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in (i) above, he, she or it will immediately notify the Stock Exchange, our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Managers and the Public Offer Underwriters that our Company shall forthwith inform the Sole Sponsor, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and the Stock Exchange in writing immediately after our Company has been informed of the matters referred to in paragraph (ii) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

Commissions and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price in respect of all the Public Offer Shares.

In consideration of the Sole Sponsor’s services in sponsoring the Share Offer, the Sole Sponsor will receive a financial advisory fee. Such underwriting commission and financial advisory fee, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK\$39.2 million in aggregate (assuming an Offer Price of HK\$1.20 per Offer Share (being the

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midpoint of the indicative Offer Price of HK\$1.00 to HK\$1.40 per Offer Share)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Over-allotment Option.

The Placing

The Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Placing Underwriters will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, our Company will offer our Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the Placing Underwriting Agreement and the placing documents. It is expected that the Placing Underwriters will agree to severally underwrite for our Placing Shares. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” under this section.

Over-allotment Option

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Sole Bookrunner, on behalf of the Placing Underwriters, at any time until the 30th day after the last day for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 28,500,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under the Placing, to cover over-allocations, if any, under the Placing. For further details of the Over-allotment Option, please refer to the section headed “Structure of the Share Offer” in this prospectus.

UNDERWRITERS’ INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, none of the Public Offer Underwriters is interested legally or beneficially in the shares of any of our Group’s members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer which forms part of the Share Offer. A total of initially 190,000,000 Offer Shares will be made available under the Share Offer. The Share Offer comprises:

- the Public Offer which will be offered to the public in Hong Kong of 19,000,000 Offer Shares (subject to reallocation), representing 10% of the Offer Shares; and
- the Placing which will be conditionally placed with selected professional, institutional and other investors of 171,000,000 Offer Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have severally agreed to underwrite the Public Offer under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Public Offer is conditional upon, among others:

1. Listing

the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;

2. Underwriting Agreements

- (i) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional, and not being terminated in accordance with the terms of the respective agreements; and
- (ii) the execution and delivery of the Placing Underwriting Agreement prior to or on the Price Determination Date; and

STRUCTURE OF THE SHARE OFFER

3. Price determination

the Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date;

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

If any of the above conditions is not fulfilled or waived on or before the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at spacegroup.com.mo on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Public Offer Shares" in this prospectus. In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Monday, 15 January 2018 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 16 January 2018 provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of the share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 19,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Offer Shares between (i) the Placing; and (ii) the Public Offer as mentioned below, the number of the Public Offer Shares will represent approximately 2.5% of our Company's issued share capital immediately after completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which may be granted under the Share Option Scheme.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Public Offer" in this section.

STRUCTURE OF THE SHARE OFFER

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total available Shares under the Public Offer (after taking into account of any reallocation of Offer Shares between the Public Offer and the Placing) is to be divided into two pools for allocation purposes: pool A and pool B. Accordingly, the maximum number of Public Offer Shares initially in pool A and pool B will be 9,500,000 and 9,500,000 respectively. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are under subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 9,500,000 Public Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment. 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 under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be increased to 57,000,000 Offer Shares (in the case of (i)), 76,000,000 Offer Shares (in the case of (ii)) and 95,000,000 Offer Shares (in the case of (iii)), representing 30%, 40% and 50% of the Offer Shares initially available under the Share Offer, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deems appropriate. In addition, in certain prescribed circumstances, the Sole

STRUCTURE OF THE SHARE OFFER

Bookrunner may, at its sole and absolute discretion, reallocate Offer Shares as it deems appropriate from the Placing to the Public Offer to satisfy in whole or in part the excess valid application in the Public Offer.

If the Public Offer Shares are not fully subscribed for, the Sole Bookrunner may, at its sole and absolute discretion, reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportion as the Sole Bookrunner deems appropriate.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$1.40 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph "Price Determination of the Share Offer" below in this section, is less than the maximum price of HK\$1.40 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in section headed "How to Apply for Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the Placing will be 171,000,000 Shares (subject to reallocation and the Over-allotment Option). Subject to any reallocation of Offer Shares between the Placing and the Public Offer, the Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Share Offer without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

The Placing is subject to the same conditions as stated in the paragraph "Conditions of the Public Offer" above in this section.

STRUCTURE OF THE SHARE OFFER

Allocation

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process 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 Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Over-allotment Option

In connection with the Share Offer, our Company is expected to grant an Over-allotment Option to the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) that is exercisable at the sole discretion of the Sole Bookrunner (for itself and on behalf of the Placing Underwriters).

Pursuant to the Over-allotment Option, the Sole Bookrunner has the right, exercisable at any time within 30 days from the date of the last day of lodging application under the Public Offer, to require our Company to allot and issue up to 28,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover, among other things, over-allocation in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Share Offer and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE SHARE OFFER

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Thursday, 4 January 2018, or such later date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, the Share Offer will not proceed and will lapse.

The Offer Price will be not more than HK\$1.40 per Share and is expected to be not less than HK\$1.00 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

STRUCTURE OF THE SHARE OFFER

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.

The Sole Bookrunner, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is 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 our website at spacegroup.com.mo notices of the reduction in the number of Offer Shares being offered and/or the indicative Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered and/or the indicative Offer Price range, extend the period under which the Public Offer was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Public Offer Shares the right to withdraw their applications under the Public Offer. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Sole Bookrunner (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the levels of indication of interest in the Share Offer, the results of applications and the basis of allotment of Offer Shares under the Public Offer, are expected to be announced on Monday, 15 January 2018 in the manner set out in the section headed “How to Apply for Public Offer Shares – 11. Publication of Results” in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.40 per Share and is expected to be not less than HK\$1.00 per Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$1.40 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,535.27 per board lot of 2,500 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$1.40 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

STRUCTURE OF THE SHARE OFFER

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the Sole Bookrunner as stabilising manager may choose to borrow, whether on its own or through its affiliates, up to 28,500,000 Shares, representing 15% of our Offer Shares, from Space Investment to cover over-allocation under the stock borrowing arrangement (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option.

If such stock borrowing arrangement with Space Investment is entered into, it will only be effected by the stabilising manager or its agent for settlement of over-allocation in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

The Sole Bookrunner has been appointed by us as the stabilising manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Share Offer, the Sole Bookrunner, as stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Sole Bookrunner, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Sole Bookrunner, its affiliates or any person acting for it and may be discontinued at any time, and must be

STRUCTURE OF THE SHARE OFFER

brought to an end after a limited period. Any such stabilisation activity is required to be brought to an end within 30 days from the last date for lodging application under the Public Offer. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be made available upon exercise of the Over-allotment Option, being 28,500,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Bookrunner, as stabilising manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

- (1) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (2) in connection with any action described in paragraph (1) above:
 - (a) (i) over-allocate our Shares; or
 - (ii) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - (b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under subparagraph (a) above;
 - (c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in paragraph (1) above in order to liquidate any position that has been established by such action; and
 - (d) offer or attempt to do anything described in subparagraphs (a)(ii), (b) or (c) above.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Sole Bookrunner (for itself and on behalf of the Underwriters), its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Sole Bookrunner, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Sole Bookrunner, its affiliates or any person acting for it, may have an adverse impact on the market price of the Shares;

STRUCTURE OF THE SHARE OFFER

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Friday, 2 February 2018, being the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

COMMENCEMENT OF DEALINGS

Assuming the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 16 January 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 16 January 2018.

The Shares will be traded in board lots of 2,500 Shares each. The stock code of the Company is 2448.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form Service** at www.hkeipo.hk; or
- electronically cause **HKSCC** Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, the **HK eIPO White Form Service** Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form Service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form Service** for the Public Offer Shares.

HOW TO APPLY FOR 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;
- 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, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 28 December 2017 until 12:00 noon on Wednesday, 3 January 2018 from:

- (i) any of the following offices of the Public Offer Underwriters:

CLC Securities Limited
13th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

Innovax Securities Limited
Unit A-C, 20/F, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

CNI Securities Group Limited
10/F, Sun's Group Centre
200 Gloucester Road
Wanchai, Hong Kong

Marketsense Securities Limited
Unit 7801-7803, 78/F
The Centre, 99 Queen's Road
Central, Hong Kong

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

(ii) any of the following branches of The Bank of East Asia, Limited:

District	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	North Point Branch	326-328 King's Road, North Point
Kowloon	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
	East Tsim Sha Tsui Branch	Shop G3-G5, G/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui
New Territories	Shatin Plaza Branch	Shop 3-4, Level 1, Shatin Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 28 December 2017 until 12:00 noon on Wednesday, 3 January 2018 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited – Space Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. – Thursday, 28 December 2017**
- 9:00 a.m. to 5:00 p.m. – Friday, 29 December 2017**
- 9:00 a.m. to 1:00 p.m. – Saturday, 30 December 2017**
- 9:00 a.m. to 5:00 p.m. – Tuesday, 2 January 2018**
- 9:00 a.m. to 12:00 noon – Wednesday, 3 January 2018**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 3 January 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form Service**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (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 Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, 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 Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank(s), the Sole Sponsor, the Sole Bookrunner, 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 Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form Service** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form Service** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form Service** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form Service** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form Service**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form Service** at www.hkeipo.hk. (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 28 December 2017 until 11:30 a.m. on Wednesday, 3 January 2018 and the

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latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 3 January 2018 or such later time under the “Effects of Bad Weather on the Opening of the Applications 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).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

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HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner, the Joint Lead Managers and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - declare that only one set of electronic application instructions has been given for your benefit;

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- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Bookrunner, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank(s), the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the

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application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

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- 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 2,500 Public Offer Shares. Instructions for more than 2,500 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.^{Note} – Thursday, 28 December 2017
- 8:00 a.m. to 8:30 p.m.^{Note} – Friday, 29 December 2017
- 8:00 a.m. to 1:00 p.m.^{Note} – Saturday, 30 December 2017
- 8:00 a.m. to 8:30 p.m.^{Note} – Tuesday, 2 January 2018
- 8:00 a.m.^{Note} to 12:00 noon – Wednesday, 3 January 2018

Note: 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 Thursday, 28 December 2017 until 12:00 noon on Wednesday, 3 January 2018 (24 hours daily, except on 30 December 2017 and on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 3 January 2018, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

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No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank(s), the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form Service** is also only a facility provided by the **HK eIPO White Form Service** Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, 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

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instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 3 January 2018.

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.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form Service**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form Service** in respect of a minimum of 2,500 Public Offer Shares. Each application or electronic application instruction in respect of more than 2,500 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Share Offer – Price Determination of the Share Offer” in this prospectus.

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 Wednesday, 3 January 2018. 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 Wednesday, 3 January 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 15 January 2018 on the Company’s website at spacegroup.com.mo and the website of the Stock Exchange at **www.hkexnews.hk**.

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at spacegroup.com.mo and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 15 January 2018;
- 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 Monday, 15 January 2018 to 12:00 midnight on Sunday, 21 January 2018;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 15 January 2018 to Thursday, 18 January 2018 (excluding Saturday and Sunday or public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 15 January 2018 to Wednesday, 17 January 2018 at all the receiving bank's designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form Service**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, 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.

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(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believe that by accepting your application, it 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.

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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\$1.40 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure of the Share Offer – Conditions of the Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 15 January 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card 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 Monday, 15 January 2018. 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 Tuesday, 16 January 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 15 January 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong 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 Monday, 15 January 2018 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 15 January 2018, 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

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CCASS Participant's stock account as stated in your Application Form on Monday, 15 January 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 January 2018 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 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 Monday, 15 January 2018 or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 15 January 2018 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 Monday, 15 January 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" in this section on Monday, 15 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 January 2018 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 Monday, 15 January 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 15 January 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on page I-1 to I-51, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SPACE GROUP HOLDINGS LIMITED AND CLC INTERNATIONAL LIMITED

Introduction

We report on the historical financial information of Space Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-51, which comprises the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017, the statement of financial position of the Company as at 30 June 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements, for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "Relevant Periods"), 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-51 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 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.

Directors' responsibility for 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 1 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 1 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, 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 purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017, the Company's financial position as at 30 June 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding 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 cash flow statement for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding 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 enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 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***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 19(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

28 December 2017

A. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

1. Combined statements of profit or loss and other comprehensive income
(Expressed in Macau Pataca)

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2014 MOP'000	2015 MOP'000	2016 MOP'000	2016 MOP'000 (unaudited)	2017 MOP'000
Revenue	4	129,809	400,598	463,309	234,755	240,733
Cost of sales		<u>(101,282)</u>	<u>(319,444)</u>	<u>(357,438)</u>	<u>(182,256)</u>	<u>(180,945)</u>
Gross profit		28,527	81,154	105,871	52,499	59,788
Other income	5	487	542	176	85	385
General and administrative expenses		<u>(7,538)</u>	<u>(11,001)</u>	<u>(16,073)</u>	<u>(6,575)</u>	<u>(14,047)</u>
Profit from operations		21,476	70,695	89,974	46,009	46,126
Finance costs	6(a)	<u>(2,008)</u>	<u>(5,310)</u>	<u>(7,542)</u>	<u>(3,921)</u>	<u>(3,011)</u>
Profit before taxation	6	19,468	65,385	82,432	42,088	43,115
Income tax	7(a)	<u>(2,399)</u>	<u>(7,811)</u>	<u>(11,741)</u>	<u>(5,305)</u>	<u>(6,197)</u>
Profit for the year/period		<u>17,069</u>	<u>57,574</u>	<u>70,691</u>	<u>36,783</u>	<u>36,918</u>
Attributable to:						
Equity shareholders of the Company		12,541	45,763	63,809	32,812	35,630
Non-controlling interests		<u>4,528</u>	<u>11,811</u>	<u>6,882</u>	<u>3,971</u>	<u>1,288</u>
Profit for the year/period		<u>17,069</u>	<u>57,574</u>	<u>70,691</u>	<u>36,783</u>	<u>36,918</u>

The accompanying notes form part of the Historical Financial Information.

2. Combined statements of financial position
(Expressed in Macau Pataca)

	Section B Note	The Group				The Company
		At 31 December			At 30	At 30
		2014	2015	2016	June	June
	MOP'000	MOP'000	MOP'000	2017	2017	
				MOP'000	MOP'000	
Non-current assets						
Property, plant and equipment	11					
– Investment property		9,030	8,618	8,206	–	–
– Other property, plant and equipment		159	822	174	169	–
		9,189	9,440	8,380	169	–
Other receivables	12(d)	–	–	–	3,090	–
Deferred tax assets	17(b)	76	101	126	138	–
		9,265	9,541	8,506	3,397	–
Current assets						
Gross amounts due from customers for contract work	14	13,863	27,204	19,931	31,663	–
Trade and other receivables	12	98,328	117,656	69,897	118,725	–
Amounts due from directors	22(c)	105,285	168,498	208,398	158,466	–
Amount due from a related company	22(c)	15	15	–	–	–
Pledged deposits	13(c)	33,023	47,168	37,647	32,860	–
Bank deposits	13(a)	–	–	1,113	–	–
Cash and cash equivalents	13(a)	8,504	1,971	19,835	8,229	–*
		259,018	362,512	356,821	349,943	–
Non-current assets classified as held for sale	11(e)	–	–	–	8,000	–
		259,018	362,512	356,821	357,943	–
Current liabilities						
Gross amounts due to customers for contract work	14	2,146	1,787	1,818	3,733	–
Trade and other payables	15	142,815	139,311	100,448	142,985	–
Amounts due to directors	22(c)	5,107	–	499	3,484	–
Bank loans and overdrafts and other borrowings	16	91,775	140,295	138,501	134,242	–
Tax payable	17(a)	2,981	10,776	20,909	20,321	–
		244,824	292,169	262,175	304,765	–
Net current assets		14,194	70,343	94,646	53,178	–
Total assets less current liabilities		23,459	79,884	103,152	56,575	–
Non-current liability						
Bank loans and other borrowings	16	1,148	15,361	19,770	107	–
NET ASSETS		22,311	64,523	83,382	56,468	–

	<i>Section B Note</i>	<u>The Group</u>				<u>The Company</u>
		<u>At 31 December</u>			<u>At 30</u>	<u>At 30</u>
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>June</u>	<u>June</u>
		<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	
CAPITAL AND RESERVES						
Share capital	19(c)	150	150	150	151	–*
Reserves		17,558	52,049	74,671	52,740	–
Total equity attributable to equity shareholders of the Company		17,708	52,199	74,821	52,891	–
Non-controlling interests		4,603	12,324	8,561	3,577	–
TOTAL EQUITY		<u>22,311</u>	<u>64,523</u>	<u>83,382</u>	<u>56,468</u>	<u>–</u>

* The balances represent amounts less than MOP1,000.

The accompanying notes form part of the Historical Financial Information.

3. Combined statements of changes in equity*(Expressed in Macau Pataca)*

	Attributable to equity shareholders of the Company				Non- controlling interests	Total equity
	Share capital	Legal reserve	Retained profits	Total		
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
At 1 January 2014	150	50	4,967	5,167	75	5,242
Change in equity for 2014:						
Profit and total comprehensive income for the year	—	—	12,541	12,541	4,528	17,069
At 31 December 2014 and 1 January 2015	150	50	17,508	17,708	4,603	22,311
Changes in equity for 2015:						
Profit and total comprehensive income for the year	—	—	45,763	45,763	11,811	57,574
Dividends declared (Note 19(b))	—	—	(11,287)	(11,287)	(4,075)	(15,362)
Transferred from retained profits	—	50	(35)	15	(15)	—
At 31 December 2015 and 1 January 2016	150	100	51,949	52,199	12,324	64,523
Changes in equity for 2016:						
Profit and total comprehensive income for the year	—	—	63,809	63,809	6,882	70,691
Dividends declared (Note 19(b))	—	—	(41,187)	(41,187)	(10,630)	(51,817)
Deregistration of a non-wholly owned subsidiary	—	—	—	—	(15)	(15)

	Attributable to equity shareholders of the Company				Non- controlling interests	Total equity
	Share capital	Legal reserve	Retained profits	Total		
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
At 31 December 2016 and 1 January 2017	150	100	74,571	74,821	8,561	83,382
Changes in equity for the six months ended 30 June 2017:						
Incorporation of the Company and Space Construction (BVI) Ltd ("Space Construction BVI")	1	–	–	1	–	1
Profit and total comprehensive income for the period	–	–	35,630	35,630	1,288	36,918
Dividends declared (Note 19(b))	–	–	(57,576)	(57,576)	(6,257)	(63,833)
Transferred from retained profits	–	50	(35)	15	(15)	–
At 30 June 2017	151	150	52,590	52,891	3,577	56,468
(Unaudited)						
At 1 January 2016	150	100	51,949	52,199	12,324	64,523
Changes in equity for the six months ended 30 June 2016:						
Profit and total comprehensive income for the period	–	–	32,812	32,812	3,971	36,783
Dividends declared (Note 19(b))	–	–	(41,187)	(41,187)	(10,630)	(51,817)
At 30 June 2016	150	100	43,574	43,824	5,665	49,489

The accompanying notes form part of the Historical Financial Information.

4. Combined cash flow statements
(Expressed in Macau Pataca)

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2014 MOP'000	2015 MOP'000	2016 MOP'000	2016 MOP'000	2017 MOP'000
Operating activities						
Cash generated from operations	13(b)	53,028	34,555	108,087	23,726	30,688
Tax paid		(75)	(41)	(1,633)	–	(6,797)
Net cash generated from operating activities		<u>52,953</u>	<u>34,514</u>	<u>106,454</u>	<u>23,726</u>	<u>23,891</u>
Investing activities						
Payment for the purchase of property, plant and equipment		(174)	(769)	(13)	(1)	(3,115)
Proceeds from disposal of property, plant and equipment		–	–	–	–	2,060
Interest received		–	126	48	49	41
(Increase)/decrease in bank deposits		–	–	(1,099)	–	1,113
Proceeds from the incorporation of the Company and Space Construction BVI		–	–	–	–	1
Net cash (used in)/generated from investing activities		<u>(174)</u>	<u>(643)</u>	<u>(1,064)</u>	<u>48</u>	<u>100</u>
Financing activities						
Proceeds from new bank loans and other borrowings		123,778	340,742	445,004	238,962	170,115
Repayment of bank loans and other borrowings		(61,640)	(296,368)	(445,493)	(213,444)	(192,597)
Payment of listing expenses		–	–	(1,389)	–	(2,535)
(Increase)/decrease in pledged deposits		(31,121)	(14,145)	9,521	6,418	4,787
Increase in net amounts due from/to directors		(75,086)	(83,682)	(90,731)	(50,680)	(10,916)
Interest paid		(2,008)	(5,310)	(7,542)	(3,921)	(3,011)
Net cash used in financing activities		<u>(46,077)</u>	<u>(58,763)</u>	<u>(90,630)</u>	<u>(22,665)</u>	<u>(34,157)</u>
Net increase/(decrease) in cash and cash equivalents		<u>6,702</u>	<u>(24,892)</u>	<u>14,760</u>	<u>1,109</u>	<u>(10,166)</u>
Cash and cash equivalents at the beginning of the year/period		<u>(5,565)</u>	<u>1,137</u>	<u>(23,755)</u>	<u>(23,755)</u>	<u>(8,995)</u>
Cash and cash equivalents at the end of the year/period	13(a)	<u>1,137</u>	<u>(23,755)</u>	<u>(8,995)</u>	<u>(22,646)</u>	<u>(19,161)</u>

The accompanying notes form part of the Historical Financial Information.

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Macau Pataca)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Space Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 24 April 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for a group reorganisation completed on 20 December 2017 (the “Reorganisation”), as detailed in the section head “History, Reorganisation and Corporate Structure” in the Prospectus. The Company and its subsidiaries (together, “the Group”) are principally engaged in the construction works and fitting-out works.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Space Construction & Engineering Co., Ltd. (“Space Construction”) and its subsidiaries. The Group underwent the Reorganisation to rationalise the corporate structure in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Upon completion of the Reorganisation, the Company became the holding company of the Group. The companies now comprising the Group were under the common control of Mr. Che Chan U and Ms. Lei Soi Kun as the controlling shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

As the control is not transitory and, consequently, there was a continuation of risks and benefits to the controlling shareholders, the Reorganisation is considered to be a restructuring of entities under common control. The Historical Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are combined using the book values from the controlling shareholders’ perspective.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Periods as set out in Section A of this report include the financial performance and cash flows of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 January 2014, for the period from the date of incorporation to 30 June 2017) as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods. The combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 as set out in Section A of this report have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates.

Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, Space Construction BVI, Space Construction, Minsang Oriental Limited (“Minsang Oriental”), Companhia Space Grupo Limitada, Space Oriental Construction & Engineering Co., Ltd. (“Space Oriental”) and Space & Yiu Cheong Construction Engineering Co., Ltd. as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest (Note (i))				At the date of this report	Principal activities
			At 31 December			At 30 June		
			2014	2015	2016	2017		
Directly held								
Space Construction BVI	The British Virgin Islands/ 21 April 2017	50,000 ordinary shares of US\$1 each	–	–	–	95%	100%	Investment holding
Indirectly held								
Space Construction (Note (iii))	Macau/ 21 November 2007	MOP100,000	100%	100%	100%	100%	100%	Construction and engineering
Companhia Space Grupo Limitada (Note (iii))	Macau/ 3 May 2013	MOP50,000	100%	100%	100%	100%	100%	Inactive
Minsang Oriental (Note (iii))	Macau/ 12 July 2013	MOP100,000	70%	70%	70%	70%	100%	Construction and engineering
Space Oriental (Note (iii))	Macau/ 11 September 2013	MOP100,000	70%	70%	70%	70%	100%	Construction and engineering
Space & Yiu Cheong Construction Engineering Co., Ltd. (Note (ii))	Macau/ 16 July 2013	MOP50,000	75%	75%	N/A	N/A	N/A	Inactive

Notes:

- (i) The shares of Space Construction BVI are held directly by the Company. All other subsidiaries are indirectly held by the Company.
- (ii) The entity was de-registered on 28 December 2016.
- (iii) Subsequent to the Relevant Periods, Space Construction BVI acquired the equity interest of certain subsidiaries. Details of which are set out in Note 25(c).

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretation that are not yet effective for the accounting period ended 31 December 2016. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2017 are set out in Note 24.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in Macau Pataca (“MOP”). The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset. The fair value is the transaction price unless fair value can be more reliably estimated using valuation technique whose variables include only data from observable markets. Cost includes attributable transaction costs.

(d) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)). Depreciation is calculated on a straight line basis to write down the costs of investment properties, less their estimated residual values, if any, using the straight-line method over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 25 years.

Both the useful lives of the investment properties and their residual values, if any, are reviewed annually.

Rental income from investment properties is accounted for as described in Note 2(p)(ii).

(e) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Furniture, fixtures and equipment	5 years
– Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(g) **Impairment of assets**

(i) *Impairment of trade and other receivables*

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that investment property and other property, plant and equipment may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash

inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(h) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Note 2(p)(i). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the combined statements of financial position as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statements.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(n) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Contract revenue

When the outcome of a construction contract can be estimated reliably:

- i) revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by the customers.
- ii) revenue from cost plus construction contracts is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(q) **Translation of foreign currencies**

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(r) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) **Non-current assets held for sale**

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets are recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

(t) **Related parties**

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or

- (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Sources of estimation uncertainty

(a) Impairment of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Construction contracts

As explained in policy Notes 2(h) and 2(p)(i), revenue and profit recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificate issued by the customers/recoverable costs incurred during the period plus an appropriate proportion of the total fee. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs and revises the budgeted construction costs as appropriate.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken. In addition, actual outcome in terms of total revenue or costs may be higher or lower than estimation at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustments to the amounts recorded to date.

4 REVENUE AND SEGMENT INFORMATION**(a) Revenue**

Revenue represents the net amounts received and receivable for fitting-out works and building construction works rendered by the Group to customers and is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2014 MOP'000	2015 MOP'000	2016 MOP'000	2016 MOP'000 <i>(unaudited)</i>	2017 MOP'000
Revenue from fitting-out works	129,809	329,564	184,755	111,418	120,978
Revenue from building construction works	—	71,034	278,554	123,337	119,755
	<u>129,809</u>	<u>400,598</u>	<u>463,309</u>	<u>234,755</u>	<u>240,733</u>

(b) Segment information

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Fitting-out works: this segment is involved in execution of fitting-out works, procurement of materials, site supervision, management of subcontractors, overall project management, interior decorative and modification works for existing buildings.
- Building construction works: this segment is involved in structural building works, procurement of materials, site supervision, management of subcontractors and overall project management.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is gross profit.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable assets and liabilities have not been presented in the Historical Financial Information.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Relevant Periods is set out below.

Year ended 31 December 2014

	Fitting-out works	Building construction works	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Revenue from external customers and reportable segment revenue	129,809	–	129,809
Segment profit	<u>28,527</u>	<u>–</u>	<u>28,527</u>

Year ended 31 December 2015

	Fitting-out works	Building construction works	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Revenue from external customers and reportable segment revenue	329,564	71,034	400,598
Segment profit	<u>63,325</u>	<u>17,829</u>	<u>81,154</u>

Year ended 31 December 2016

	Fitting-out works	Building construction works	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Revenue from external customers and reportable segment revenue	184,755	278,554	463,309
Segment profit	<u>35,952</u>	<u>69,919</u>	<u>105,871</u>

Six months ended 30 June 2017

	Fitting-out works <i>MOP'000</i>	Building construction works <i>MOP'000</i>	Total <i>MOP'000</i>
Revenue from external customers and reportable segment revenue	120,978	119,755	240,733
Segment profit	<u>29,732</u>	<u>30,056</u>	<u>59,788</u>

Six months ended 30 June 2016 (unaudited)

	Fitting-out works <i>MOP'000</i>	Building construction works <i>MOP'000</i>	Total <i>MOP'000</i>
Revenue from external customers and reportable segment revenue	111,418	123,337	234,755
Segment profit	<u>21,538</u>	<u>30,961</u>	<u>52,499</u>

(ii) *Reconciliations of reportable segment profit*

	Year ended 31 December			Six months ended 30 June	
	2014 <i>MOP'000</i>	2015 <i>MOP'000</i>	2016 <i>MOP'000</i>	2016 <i>MOP'000</i>	2017 <i>MOP'000</i>
				<i>(unaudited)</i>	
Profit					
Reportable segment profit	28,527	81,154	105,871	52,499	59,788
Other income	487	542	176	85	385
Finance costs	(2,008)	(5,310)	(7,542)	(3,921)	(3,011)
Unallocated head office and corporate expenses	<u>(7,538)</u>	<u>(11,001)</u>	<u>(16,073)</u>	<u>(6,575)</u>	<u>(14,047)</u>
Combined profit before taxation	<u>19,468</u>	<u>65,385</u>	<u>82,432</u>	<u>42,088</u>	<u>43,115</u>

(iii) Geographical information

The Group's operations are solely located in Macau.

(iv) Information about major customers

Revenue from customers during the Relevant Periods contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				<i>(unaudited)</i>	
Customer A	101,765	243,651	152,905	85,460	26,809
Customer B	17,511	N/A*	–	–	–
Customer C	–	71,034	278,554	123,337	119,557
Customer D	–	42,745	–	–	–
Customer E	–	N/A*	N/A*	25,958	N/A*
Customer F	–	–	–	–	48,027
Customer G	–	–	–	–	40,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year/period.

5 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				<i>(unaudited)</i>	
Rental income	472	379	–	–	247
Interest income	15	126	62	49	41
Others	–	37	114	36	97
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>487</u>	<u>542</u>	<u>176</u>	<u>85</u>	<u>385</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				<i>(unaudited)</i>	
(a) Finance costs					
Interest on bank loans and overdrafts and other borrowings	2,008	5,310	7,542	3,921	3,011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>2,008</u>	<u>5,310</u>	<u>7,542</u>	<u>3,921</u>	<u>3,011</u>

	Year ended 31 December			Six months ended 30 June	
	2014 MOP'000	2015 MOP'000	2016 MOP'000	2016 MOP'000	2017 MOP'000
(b) Staff costs					
Contributions to defined contribution retirement plans	274	626	1,078	501	69
Salaries, wages and other benefits	30,521	80,497	49,853	30,612	9,507
	30,795	81,123	50,931	31,113	9,576
Add/(less): Amount included in construction contracts in progress	2,555	(3,774)	97	(1,609)	1,207
	<u>33,350</u>	<u>77,349</u>	<u>51,028</u>	<u>29,504</u>	<u>10,783</u>
(c) Other items					
Depreciation	427	518	586	297	236
Impairment loss on trade debtors (Note 12(b))	–	522	–	–	–
Rentals receivable from investment property less direct outgoings of MOP412,000, MOP412,000, MOP464,000, MOP206,000 and MOP206,000 for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 respectively	(60)	33	464	206	(41)
Auditors' remuneration (Note)	–	–	–	–	–
Listing expenses	–	–	4,167	–	8,017
Operating lease charges: minimum lease payments					
– machinery and equipment	2,261	3,686	3,345	1,012	62
– properties	552	614	613	304	389
	2,813	4,300	3,958	1,316	451
Add/(less): Amount included in construction contracts in progress	169	(687)	578	(682)	104
	<u>2,982</u>	<u>3,613</u>	<u>4,536</u>	<u>634</u>	<u>555</u>

Note: No auditors' remuneration was incurred for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 as the companies comprising the Group are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

7 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) **Taxation in the combined statements of profit or loss and other comprehensive income represents:**

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				<i>(unaudited)</i>	
Current tax – Macau Complementary Tax					
Provision for the year/period	2,424	7,836	11,766	5,317	6,209
Deferred tax					
Origination and reversal of temporary differences	<u>(25)</u>	<u>(25)</u>	<u>(25)</u>	<u>(12)</u>	<u>(12)</u>
	<u>2,399</u>	<u>7,811</u>	<u>11,741</u>	<u>5,305</u>	<u>6,197</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (ii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for the Relevant Periods.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2014 MOP'000	2015 MOP'000	2016 MOP'000	2016 MOP'000 (unaudited)	2017 MOP'000
Profit before taxation	<u>19,468</u>	<u>65,385</u>	<u>82,432</u>	<u>42,088</u>	<u>43,115</u>
Notional tax on profit before taxation calculated at 12%	2,337	7,846	9,892	5,050	5,174
Tax effect of non-deductible expenses	–	–	2,065	255	1,023
Tax effect of tax exemption under Macau Complementary Tax	(144)	(144)	(216)	–	–
Others	<u>206</u>	<u>109</u>	<u>–</u>	<u>–</u>	<u>–</u>
Actual tax expense	<u>2,399</u>	<u>7,811</u>	<u>11,741</u>	<u>5,305</u>	<u>6,197</u>

8 DIRECTORS' EMOLUMENTS

Directors' emoluments during the Relevant Periods which were included in the staff costs as disclosed in Note 6(b) are as follows:

	Year ended 31 December 2014				
	Directors' fees MOP'000	Salaries, allowances and benefits in kind MOP'000	Discretionary bonus MOP'000	Retirement scheme contributions MOP'000	Total MOP'000
Executive Directors					
Che Chan U (Note (iii))	–	600	–	–	600
Lei Soi Kun (Note (iii))	–	240	–	–	240
Wan Yee Sang (Note (iv))	–	820	–	–	820
Total	<u>–</u>	<u>1,660</u>	<u>–</u>	<u>–</u>	<u>1,660</u>

	Year ended 31 December 2015				
	Directors' fees MOP'000	Salaries, allowances and benefits in kind MOP'000	Discretionary bonus MOP'000	Retirement scheme contributions MOP'000	Total MOP'000
Executive Directors					
Che Chan U (Note (iii))	–	600	–	–	600
Lei Soi Kun (Note (iii))	–	240	–	–	240
Wan Yee Sang (Note (iv))	–	485	–	–	485
Total	<u>–</u>	<u>1,325</u>	<u>–</u>	<u>–</u>	<u>1,325</u>

	Year ended 31 December 2016				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Executive Directors					
Che Chan U (<i>Note (iii)</i>)	–	600	–	–	600
Lei Soi Kun (<i>Note (iii)</i>)	–	240	–	–	240
Wan Yee Sang (<i>Note (iv)</i>)	–	530	–	–	530
Total	–	1,370	–	–	1,370

	Six months ended 30 June 2017				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Executive Directors					
Che Chan U (<i>Note (iii)</i>)	–	300	–	–	300
Lei Soi Kun (<i>Note (iii)</i>)	–	120	–	–	120
Wan Yee Sang (<i>Note (iv)</i>)	–	268	–	–	268
Total	–	688	–	–	688

	Six months ended 30 June 2016 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Executive Directors					
Che Chan U (<i>Note (iii)</i>)	–	300	–	–	300
Lei Soi Kun (<i>Note (iii)</i>)	–	120	–	–	120
Wan Yee Sang (<i>Note (iv)</i>)	–	265	–	–	265
Total	–	685	–	–	685

Notes:

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.
- (iii) During the Relevant Periods, remuneration of Mr. Che Chan U and Ms. Lei Soi Kun were paid by Space Construction.

(iv) During the Relevant Periods, remuneration of Mr. Wan Yee Sang was paid by Space Oriental.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two are directors for the year ended 31 December 2014 whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Salaries and other emoluments	2,348	5,108	4,212	2,184	1,818
Discretionary bonuses	174	392	235	–	–
Retirement scheme contributions	–	–	–	–	–
	<u>2,522</u>	<u>5,500</u>	<u>4,447</u>	<u>2,184</u>	<u>1,818</u>

The emoluments of the three, five, five, five and five individuals with the highest emoluments for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 respectively are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
HK\$Nil to HK\$1,000,000	2	2	4	5	5
HK\$1,000,001 to HK\$1,500,000	1	3	1	–	–

10 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this Historical Financial Information is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on a combined basis as disclosed in Note 1.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Furniture, fixtures and equipment <i>MOP'000</i>	Motor vehicles <i>MOP'000</i>	Sub-total <i>MOP'000</i>	Investment property <i>MOP'000</i>	Total <i>MOP'000</i>
Cost:					
At 1 January 2014	–	–	–	10,300	10,300
Additions	<u>146</u>	<u>28</u>	<u>174</u>	<u>–</u>	<u>174</u>
At 31 December 2014	----- <u>146</u>	----- <u>28</u>	----- <u>174</u>	----- <u>10,300</u>	----- <u>10,474</u>
At 1 January 2015	146	28	174	10,300	10,474
Additions	<u>105</u>	<u>664</u>	<u>769</u>	<u>–</u>	<u>769</u>
At 31 December 2015	----- <u>251</u>	----- <u>692</u>	----- <u>943</u>	----- <u>10,300</u>	----- <u>11,243</u>
At 1 January 2016	251	692	943	10,300	11,243
Additions	13	–	13	–	13
Disposals	<u>–</u>	<u>(664)</u>	<u>(664)</u>	<u>–</u>	<u>(664)</u>
At 31 December 2016	----- <u>264</u>	----- <u>28</u>	----- <u>292</u>	----- <u>10,300</u>	----- <u>10,592</u>
At 1 January 2017	264	28	292	10,300	10,592
Additions	10	15	25	–	25
Transfer to assets held for sale	<u>–</u>	<u>–</u>	<u>–</u>	<u>(10,300)</u>	<u>(10,300)</u>
At 30 June 2017	----- <u>274</u>	----- <u>43</u>	----- <u>317</u>	----- <u>–</u>	----- <u>317</u>
Accumulated depreciation:					
At 1 January 2014	–	–	–	858	858
Charge for the year	<u>14</u>	<u>1</u>	<u>15</u>	<u>412</u>	<u>427</u>
At 31 December 2014	----- <u>14</u>	----- <u>1</u>	----- <u>15</u>	----- <u>1,270</u>	----- <u>1,285</u>
At 1 January 2015	14	1	15	1,270	1,285
Charge for the year	<u>45</u>	<u>61</u>	<u>106</u>	<u>412</u>	<u>518</u>
At 31 December 2015	----- <u>59</u>	----- <u>62</u>	----- <u>121</u>	----- <u>1,682</u>	----- <u>1,803</u>

	Furniture, fixtures and equipment <i>MOP'000</i>	Motor vehicles <i>MOP'000</i>	Sub-total <i>MOP'000</i>	Investment property <i>MOP'000</i>	Total <i>MOP'000</i>
At 1 January 2016	59	62	121	1,682	1,803
Charge for the year	47	127	174	412	586
Written back on disposals	—	(177)	(177)	—	(177)
At 31 December 2016	<u>106</u>	<u>12</u>	<u>118</u>	<u>2,094</u>	<u>2,212</u>
At 1 January 2017	106	12	118	2,094	2,212
Charge for the period	27	3	30	206	236
Transfer to assets held for sale	—	—	—	(2,300)	(2,300)
At 30 June 2017	<u>133</u>	<u>15</u>	<u>148</u>	<u>—</u>	<u>148</u>
Net book value:					
At 31 December 2014	<u>132</u>	<u>27</u>	<u>159</u>	<u>9,030</u>	<u>9,189</u>
At 31 December 2015	<u>192</u>	<u>630</u>	<u>822</u>	<u>8,618</u>	<u>9,440</u>
At 31 December 2016	<u>158</u>	<u>16</u>	<u>174</u>	<u>8,206</u>	<u>8,380</u>
At 30 June 2017	<u>141</u>	<u>28</u>	<u>169</u>	<u>—</u>	<u>169</u>

(b) Fair value measurement of property**(i) Fair value hierarchy**

The fair value measurements are categorised at Level 3 valuations under the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the each reporting period in which they occur.

The fair values of investment property are MOP44,496,000, MOP42,230,000, MOP40,891,000 and MOP41,200,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively. The valuations were carried out by an independent firm of surveyors, Savills (Macau) Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the

location and category of property being valued. The Group's chief financial officer has discussed with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

(ii) *Valuation techniques and inputs used in Level 3 fair value measurement*

		At 31 December 2014	
	Valuation techniques	Unobservable input	Range
Investment property Commercial – Macau	Income capitalisation approach	Adjusted market rent per sq. ft.	MOP203 to MOP286
		Capitalisation rate	1.20% to 1.80%
		At 31 December 2015	
	Valuation techniques	Unobservable input	Range
Investment property Commercial – Macau	Income capitalisation approach	Adjusted market rent per sq. ft.	MOP271
		Capitalisation rate	1.80%
		At 31 December 2016	
	Valuation techniques	Unobservable input	Range
Investment property Commercial – Macau	Income capitalisation approach	Adjusted market rent per sq. ft.	MOP176 to MOP265
		Capitalisation rate	1.25% to 1.80%
		At 30 June 2017	
	Valuation techniques	Unobservable input	Range
Investment property Commercial – Macau	Income capitalisation approach	Adjusted market rent per sq. ft.	MOP176 to MOP265
		Capitalisation rate	1.25% to 1.80%

The fair value of investment properties located in Macau is determined by income capitalisation approach. The current rent derived from the existing tenancy is capitalised with the provision for any reversionary income potential. The capitalisation rate used in income capitalisation approach has been adjusted for the expected market rental growth, occupancy rate and quality and location of the buildings. The fair value measurement is positively correlated to the market rental value and negatively correlated to the risk-adjusted capitalisation rate.

(c) The analysis of net book value of property is as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Investment property in Macau – long leases	9,030	8,618	8,206	–

The investment property with carrying amount of MOP8,000,000 was presented as non-current assets classified as held for sale at 30 June 2017 as set out in Note 11(e).

(d) Investment property leased out under operating leases

The Group leases out investment property which is located in Macau under operating leases. The leases typically run for an initial period of three years. None of the leases includes contingent rentals.

The property held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

Total future minimum leases payments under non-cancellable operating leases are receivable as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Within 1 year	95	–	463	–
After 1 year but within 5 years	–	–	526	–
	<u>95</u>	<u>–</u>	<u>989</u>	<u>–</u>

(e) On 27 April 2017, the Group entered into an agreement to dispose of the investment property at MOP41,200,000 to Mr. Che Chan U and the disposal is completed on 7 July 2017. A deposit of MOP2,060,000 was received by the Group as at 30 June 2017. The investment property was presented as non-current assets classified as held for sale at 30 June 2017.

12 TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Trade debtors	33,608	51,614	17,256	72,717
Less: allowance for doubtful debts (<i>Note 12(b)</i>)	–	(522)	(522)	(522)
	33,608	51,092	16,734	72,195
Deposits, prepayments and other receivables (<i>Note (i)</i>)	54,756	42,328	16,596	6,489
Retention receivables (<i>Note (ii)</i>)	9,964	24,236	36,567	40,041
	<u>98,328</u>	<u>117,656</u>	<u>69,897</u>	<u>118,725</u>

Notes:

- (i) Except for the amounts of MOP37,787,000, MOP13,377,000, MOP19,000 and MOP34,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.
- (ii) Except for the amounts of MOP9,314,000, MOP17,210,000, MOP12,862,000 and MOP14,957,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

(a) Ageing analysis

At 31 December 2014, 2015 and 2016 and 30 June 2017, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the billing date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Within 1 month	21,349	33,549	16,734	50,412
1 to 2 months	12,259	17,543	–	21,783
	<u>33,608</u>	<u>51,092</u>	<u>16,734</u>	<u>72,195</u>

Trade debtors are normally due within 0 to 45 days from the date of billing. Further details on the Group's credit policy are set out in Note 20(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see Note 2(g)(i)).

The movement in the allowance for doubtful debts during the year/period, including both specific and collective loss components, is as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
At the beginning of the year/period	–	–	522	522
Impairment loss recognised	–	522	–	–
At the end of the year/period	<u>–</u>	<u>522</u>	<u>522</u>	<u>522</u>

At 31 December 2015 and 2016 and 30 June 2017, trade debtors of MOP522,000, MOP522,000 and MOP522,000 respectively were individually determined to be impaired. The individually impaired receivables were long overdue and management assessed that these receivables are not recoverable. Consequently, specific allowances for doubtful debts of MOP522,000, MOP522,000 and MOP522,000 were recognised at 31 December 2015 and 2016 and 30 June 2017 respectively. The Group does not hold any collateral over these balances.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Neither past due nor impaired	27,917	48,941	16,734	71,639
Less than 1 month past due	5,691	–	–	556
1 to 3 months past due	–	2,151	–	–
	5,691	2,151	–	556
	33,608	51,092	16,734	72,195

Receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) As at 30 June 2017, non-current other receivables of MOP3,090,000 represented deposits paid by the Group for the purchase of property, plant and equipment from Mr. Che Chan U (see Note 21(a)).

13 CASH AND CASH EQUIVALENTS, BANK DEPOSITS AND PLEDGED DEPOSITS

(a) Cash and cash equivalents and bank deposits comprise:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Cash at banks and in hand and cash and cash equivalents in the combined statements of financial position	8,504	1,971	19,835	8,229
Bank overdrafts (Note 16)	(7,367)	(25,726)	(28,830)	(27,390)
Cash and cash equivalents in the combined cash flow statements	1,137	(23,755)	(8,995)	(19,161)
Bank deposits with more than three months to maturity when placed	–	–	1,113	–

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December			Six months ended 30 June	
		2014 MOP'000	2015 MOP'000	2016 MOP'000	2016 MOP'000 <i>(unaudited)</i>	2017 MOP'000
Operating activities						
Profit before taxation		19,468	65,385	82,432	42,088	43,115
Adjustments for:						
Interest income	5	(15)	(126)	(62)	(49)	(41)
Finance costs	6(a)	2,008	5,310	7,542	3,921	3,011
Depreciation	6(c)	427	518	586	297	236
Changes in working capital:						
(Increase)/decrease in gross amounts due from customers for contract work		(13,626)	(13,341)	7,273	5,227	(11,732)
(Increase)/decrease in trade and other receivables		(96,722)	(19,328)	49,148	(9,589)	(46,293)
Increase/(decrease) in gross amounts due to customers for contract work		2,146	(359)	31	4,426	1,915
Increase/(decrease) in trade and other payables		139,342	(3,504)	(38,863)	(22,595)	40,477
Cash generated from operations		<u>53,028</u>	<u>34,555</u>	<u>108,087</u>	<u>23,726</u>	<u>30,688</u>

(c) Pledged deposits

The balance represents deposits pledged to secure the banking facilities (including bank loans and overdraft and issuance of performance bonds).

(d) Major non-cash transactions

As disclosed in Note 19(b) to the Historical Financial Information, dividends of MOP15,362,000, MOP51,817,000, MOP51,817,000 and MOP63,833,000 for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017 respectively were set off against "Amounts due from directors".

As disclosed in Note 22(b) to the Historical Financial Information, the Group disposed of a motor vehicle at its carrying value of MOP487,000 to a related company for the year ended 31 December 2016, which was set off against "Amounts due from directors".

14 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Gross amounts due from customers for contract work				
Contract costs incurred plus recognised profits less recognised losses	123,339	442,563	601,544	121,283
Less: Progress billings received and receivable	(109,476)	(415,359)	(581,613)	(89,620)
	<u>13,863</u>	<u>27,204</u>	<u>19,931</u>	<u>31,663</u>
Gross amounts due to customers for contract work				
Progress billings received and receivable	17,511	79,861	35,177	510,533
Less: Contract costs incurred plus recognised profits less recognised losses	(15,365)	(78,074)	(33,359)	(506,800)
	<u>2,146</u>	<u>1,787</u>	<u>1,818</u>	<u>3,733</u>

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

15 TRADE AND OTHER PAYABLES

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Trade payables	15,439	29,054	48,819	103,239
Retention payables (<i>Note (ii)</i>)	659	6,920	19,431	25,926
Other payables and accruals	<u>126,717</u>	<u>103,337</u>	<u>32,198</u>	<u>13,820</u>
	<u>142,815</u>	<u>139,311</u>	<u>100,448</u>	<u>142,985</u>

Notes:

- (i) Save as disclosed in Note 15(ii) below, all trade and other payables are expected to be settled within one year.
- (ii) Except for the amounts of MOP659,000, MOP6,920,000, MOP10,120,000 and MOP13,752,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively, all of the remaining balances are expected to be settled within one year.

An ageing analysis of trade payables based on the invoice date is as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Within 1 month	12,114	21,522	26,913	35,669
1 to 3 months	2,412	1,627	13,197	41,738
3 to 6 months	885	2,163	468	9,338
Over 6 months	28	3,742	8,241	16,494
	<u>15,439</u>	<u>29,054</u>	<u>48,819</u>	<u>103,239</u>

16 BANK LOANS AND OVERDRAFTS AND OTHER BORROWINGS

At 31 December 2014, 2015 and 2016 and 30 June 2017, the bank loans and overdrafts and other borrowings were repayable as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Within 1 year or on demand	91,775	140,295	138,501	134,242
After 1 year but within 2 years	934	71	19,699	71
After 2 years but within 5 years	214	15,290	71	36
	<u>1,148</u>	<u>15,361</u>	<u>19,770</u>	<u>107</u>
	<u>92,923</u>	<u>155,656</u>	<u>158,271</u>	<u>134,349</u>

At 31 December 2014, 2015 and 2016 and 30 June 2017, the bank loans and overdrafts and other borrowings were secured as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Secured overdrafts (Note 13(a))	7,367	25,726	28,830	27,390
Secured bank loans	85,199	129,644	129,227	106,780
Unsecured other borrowings	357	286	214	179
	<u>92,923</u>	<u>155,656</u>	<u>158,271</u>	<u>134,349</u>

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the banking facilities (including bank loans and overdrafts and performance bonds) granted to the Group were secured by:

- (i) Investment property held by the Group (Note 11);
- (ii) Pledged deposits of the Group of MOP33,023,000, MOP47,168,000, MOP37,647,000 and MOP32,860,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively;
- (iii) Assignment of rental income derived from the Group's investment property;
- (iv) Corporate guarantees provided by certain subsidiaries;

- (v) Guarantees provided by the Industrial and Commercial Development Fund of the Government of the Macau Special Administrative Region;
- (vi) Personal guarantees provided by directors of the Company;
- (vii) Personal properties owned by directors of the Company; and
- (viii) Assignment of insurance proceeds over a director of the Company.

The directors of the Company confirm that all of the outstanding guarantees and properties owned by directors as set out in items (vi) to (viii) above will be replaced by guarantees of the Company upon initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Unsecured other borrowings represented the interest-free loan from the Industrial and Commercial Development Fund of the Government of the Macau Special Administrative Region. The loan is repayable half-yearly by instalments and the final instalment will be repayable in September 2019.

Notwithstanding the specified repayment schedules as stated in the facilities letters ("specific repayment terms") which allow the loans to be repaid over a period of more than one year, certain banking facilities granted to the Group include a clause that gives the banks the unconditional rights to call the bank loans at any time ("repayment on demand clause"). The bank loans subject to the repayment on demand clause amounting to MOP24,460,000, MOP26,570,000, MOP49,314,000 and MOP42,549,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively were classified as current liabilities in the combined statements of financial position.

However, management expects that the bank loans and overdrafts and other borrowings are to be repaid as follows based on the specific repayment terms:

	At 31 December			At 30 June
	2014	2015	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Bank loans, overdrafts and other borrowings due for repayment within one year or on demand:				
Overdrafts repayable on demand	7,367	25,726	28,830	27,390
Bank loans and other borrowings due for repayment within one year	<u>73,638</u>	<u>114,569</u>	<u>100,723</u>	<u>98,288</u>
	----- 81,005	----- 140,295	----- 129,553	----- 125,678
Bank loans and other borrowings due for repayment after one year (Note):				
After 1 year but within 2 years	11,704	71	20,466	839
After 2 years but within 5 years	214	15,290	6,541	6,184
After 5 years	<u>—</u>	<u>—</u>	<u>1,711</u>	<u>1,648</u>
	----- <u>11,918</u>	----- <u>15,361</u>	----- <u>28,718</u>	----- <u>8,671</u>
	<u>92,923</u>	<u>155,656</u>	<u>158,271</u>	<u>134,349</u>

Note: The presentation of amounts due for repayment are based on the specific repayment terms set out in the facilities letters and the effect of any repayment on demand clause is ignored.

17 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION:

(a) Current taxation in the combined statements of financial position

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Provision for Macau Complementary Tax for the year/period	2,424	7,836	11,766	6,209
Balance of Complementary Tax provision relating to prior years	557	2,940	9,143	14,112
	<u>2,981</u>	<u>10,776</u>	<u>20,909</u>	<u>20,321</u>

(b) Deferred tax assets recognised:

Movement of deferred tax assets

The component of deferred tax assets recognised in the combined statements of financial position and the movements during the Relevant Periods are as follows:

	Depreciation in excess of the related depreciation allowances			
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Deferred tax arising from:				
At the beginning of the year/period	51	76	101	126
Credited to profit or loss	<u>25</u>	<u>25</u>	<u>25</u>	<u>12</u>
At end of the year/period	<u>76</u>	<u>101</u>	<u>126</u>	<u>138</u>

- (c) There were no material unrecognised deferred tax assets and liabilities as at 31 December 2014, 2015 and 2016 and 30 June 2017.

18 EMPLOYEE RETIREMENT BENEFITS

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

19 CAPITAL AND RESERVES

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statements of changes in equity.

(b) Dividends

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's subsidiaries namely Space Construction and Space Oriental, declared dividends in an aggregate amount of MOPNil, MOP15,362,000, MOP51,817,000, MOP51,817,000 and MOP63,833,000 to the then shareholders respectively. The Company was incorporated on 24 April 2017 and no dividend was declared or paid by the Company during the Relevant Periods to its equity shareholders.

(c) Share capital

The Company was incorporated on 24 April 2017 and the Reorganisation of the Group was completed on 20 December 2017. Upon incorporation of the Company, 100 shares of HK\$0.01 each were allocated and issued at par. For the purpose of this report, share capital as at 31 December 2014, 2015 and 2016 and 30 June 2017 represents the aggregate share capital of the companies comprising of the Group which existed at the respective dates.

(d) Nature and purpose of legal reserve

In accordance with Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of the respective share capital.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its construction business and provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

(f) Distributable reserves

The Company was incorporated on 24 April 2017. There were no reserves available for distribution to equity shareholders as at 30 June 2017.

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0 to 45 days from the date of billing. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, the Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At 31 December 2014, 2015 and 2016 and 30 June 2017, 83%, 67%, 99% and 8% of the total trade debtors was due from the Group's largest customer respectively and 100%, 96%, 100% and 98% of the total trade debtors was due from the Group's five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 12.

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities as at 31 December 2014, 2015 and 2016 and 30 June 2017 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 December 2014, 2015 and 2016 and 30 June 2017) and the earliest date the Group can be required to pay.

For bank loans subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter and, separately, the impact to the timing of the cash outflow if the lenders were to invoke unconditional rights to call the loans with immediate effect.

	Carrying amount MOP'000	Total contractual undiscounted cash flow MOP'000	At 31 December 2014			
			Within 1 year or on demand MOP'000	More than 1 year but less than 2 years MOP'000	More than 2 years but less than 5 years MOP'000	More than 5 years MOP'000
Trade and other payables	142,815	142,815	142,156	–	659	–
Amounts due to directors	5,107	5,107	5,107	–	–	–
Bank loans and overdrafts and other borrowings	92,923	94,128	82,008	11,906	214	–
	<u>240,845</u>	<u>242,050</u>	<u>229,271</u>	<u>11,906</u>	<u>873</u>	<u>–</u>
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		(691)	10,273	(10,964)	–	–
		<u>241,359</u>	<u>239,544</u>	<u>942</u>	<u>873</u>	<u>–</u>

	At 31 December 2015					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Trade and other payables	139,311	139,311	132,391	–	6,920	–
Bank loans and overdrafts and other borrowings	<u>155,656</u>	<u>158,192</u>	<u>141,841</u>	<u>867</u>	<u>15,484</u>	<u>–</u>
	<u>294,967</u>	297,503	274,232	867	22,404	–
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		<u>(234)</u>	<u>(234)</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>297,269</u>	<u>273,998</u>	<u>867</u>	<u>22,404</u>	<u>–</u>
	At 31 December 2016					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Trade and other payables	100,448	100,448	90,328	10,120	–	–
Amounts due to directors	499	499	499	–	–	–
Bank loans and overdrafts and other borrowings	<u>158,271</u>	<u>160,655</u>	<u>131,266</u>	<u>20,929</u>	<u>6,707</u>	<u>1,753</u>
	<u>259,218</u>	261,602	222,093	31,049	6,707	1,753
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		<u>(813)</u>	<u>8,555</u>	<u>(979)</u>	<u>(6,636)</u>	<u>(1,753)</u>
		<u>260,789</u>	<u>230,648</u>	<u>30,070</u>	<u>71</u>	<u>–</u>

	Carrying amount <i>MOP'000</i>	Total contractual undiscounted cash flow <i>MOP'000</i>	At 30 June 2017			More than 5 years <i>MOP'000</i>	More than 5 years <i>MOP'000</i>
			Within 1 year or on demand <i>MOP'000</i>	More than 1 year but less than 2 years <i>MOP'000</i>	More than 2 years but less than 5 years <i>MOP'000</i>		
Trade and other payables	142,985	142,985	129,233	13,752	-	-	
Amounts due to directors	3,484	3,484	3,484	-	-	-	
Bank loans and overdrafts and other borrowings	<u>134,349</u>	<u>136,345</u>	<u>127,362</u>	<u>1,028</u>	<u>6,279</u>	<u>1,676</u>	
	<u>280,818</u>	282,814	260,079	14,780	6,279	1,676	
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		<u>(640)</u>	<u>8,236</u>	<u>(957)</u>	<u>(6,243)</u>	<u>(1,676)</u>	
		<u>282,174</u>	<u>268,315</u>	<u>13,823</u>	<u>36</u>	<u>-</u>	

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in Note 16 to the Historical Financial Information.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings.

	2014		At 31 December 2015		2016		At 30 June 2017	
	Effective interest rate (per annum)	Amount	Effective interest rate (per annum)	Amount	Effective interest rate (per annum)	Amount	Effective interest rate (per annum)	Amount
	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000
Net fixed rate borrowings:								
Other borrowings	-	357	-	286	-	214	-	179
Variable rate borrowings:								
Bank overdrafts	4.75%-6.00%	7,367	4.75%-6.00%	25,726	4.75%-6.00%	28,830	4.75%-5.25%	27,390
Bank loans	2.94%-5.50%	85,199	2.92%-5.50%	129,644	2.47%-5.25%	129,227	2.95%-5.25%	106,780
		92,566		155,370		158,057		134,170
Total net borrowings		92,923		155,656		158,271		134,349
Net fixed rate borrowings as a percentage of total net borrowings		0.4%		0.2%		0.1%		0.1%

(ii) Sensitivity analysis

At 31 December 2014, 2015 and 2016 and 30 June 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and total equity by approximately MOP815,000, MOP1,367,000, MOP1,391,000 and MOP1,181,000, respectively, in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The impact on the Group's profit after tax and total equity is estimated as an annualised impact on interest expense of such changes in interest rates. The analysis has been performed on the same basis during the Relevant Periods.

(d) Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Macau Pataca.

(e) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014, 2015 and 2016 and 30 June 2017.

21 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2014, 2015 and 2016 and 30 June 2017 not provided for in the Historical Financial Information were as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Contracted for	—	—	—	80,855

On 25 April 2017, the Group entered into an agreement to purchase land and building at HK\$81,500,000 (equivalent to MOP83,945,000) from Mr. Che Chan U and the acquisition was completed on 15 November 2017. A deposit of MOP3,090,000 was paid by the Group as at 30 June 2017. The Group planned to redevelop the building as the Group's office.

- (b) At 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Within 1 year	367	194	467	404
After 1 year but within 5 years	108	—	163	—
	<u>475</u>	<u>194</u>	<u>630</u>	<u>404</u>

22 MATERIAL RELATED PARTY TRANSACTIONS

In addition to transactions and balances disclosed elsewhere in this Historical Financial Information, the Group entered into the following material related party transactions.

During the Relevant Periods, the directors are of the view that the following are related parties of the Group:

Name of party	Relationships
Mr. Che Chan U	Shareholder and director
Ms. Lei Soi Kun	Shareholder and director
Mr. Wan Yee Sang	Shareholder and director
China Profit Investment Limited	33% owned by Mr. Che Chan U
天正投資發展有限公司	95% and 5% owned by sister of Mr. Che Chan U and Ms. Lei Soi Kun respectively
Nanli (Macau) Engineering Co., Ltd.	51% owned by Ms. Lei Soi Kun
San Yiu Cheong Decoration Company Limited	Minority shareholder of Space & Yiu Cheong Construction Engineering Co., Ltd., a subsidiary of Space Construction up to 28 December 2016

(a) Transactions with key management personnel

All members of key management personnel are the directors of the Group and their remuneration is disclosed in Note 8.

(b) Transactions with related parties

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Transactions with related parties					
Revenue received from:					
– China Profit Investment Limited	–	763	–	–	–
Subcontracting fee paid to:					
– Nanli (Macau) Engineering Co., Ltd.	–	1,255	14,781	10,844	–
– Add/(less): Amount included in construction contracts in progress	–	1,259	(1,259)	1,037	–
	–	2,514	13,522	11,881	–
Disposal of a motor vehicle to a related company					
– 天正投資發展有限公司	–	–	487	–	–
	<u>–</u>	<u>–</u>	<u>487</u>	<u>–</u>	<u>–</u>

(c) Balances with related parties

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group had the following balances with related parties:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
(i) Amounts due from directors				
– Mr. Che Chan U	102,579	160,198	200,568	149,533
– Ms. Lei Soi Kun	867	831	–	–
– Mr. Wan Yee Sang	1,839	7,469	7,830	8,933
	<u>105,285</u>	<u>168,498</u>	<u>208,398</u>	<u>158,466</u>
(ii) Amount due from a related company				
– San Yiu Cheong Decoration Company Limited	15	15	–	–
	<u>15</u>	<u>15</u>	<u>–</u>	<u>–</u>
(iii) Amounts due to directors				
– Mr. Che Chan U	5,107	–	–	–
– Ms. Lei Soi Kun	–	–	499	3,484
	<u>5,107</u>	<u>–</u>	<u>499</u>	<u>3,484</u>

The amounts due from/to related parties are non-trade related, unsecured, interest-free and recoverable/repayable on demand.

23 CONTINGENT LIABILITIES

At 31 December 2014, 2015 and 2016 and 30 June 2017, contingent liabilities not provided for in the Historical Financial Information were as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	76,513	85,766	86,193	86,193
Advance payment bonds given to customers to guarantee an advance payment made to the Group's subsidiaries	25,258	31,843	–	–
Bank guarantees given to potential customers for an invitation to tender	–	–	3,021	11,860
	<u>101,771</u>	<u>117,609</u>	<u>89,214</u>	<u>98,053</u>

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued the following new standards, amendments and interpretation which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 1, <i>First time adoption of HKFRS</i>	1 January 2018
Amendments to HKFRS 2, <i>Share-based payment: Classification and measurement of share-based payment transactions</i>	1 January 2018
Amendments to HKFRS 4, <i>Insurance contracts</i>	1 January 2018
Amendments to HKAS 40, <i>Investment property: Transfers of investment property</i>	1 January 2018
Amendments to HKAS 28, <i>Investments in associates and joint ventures</i>	1 January 2018
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
HK(IFRIC) 22, <i>Foreign currency transactions and advance consideration</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019
HK(IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1 January 2019
Amendments to HKFRS 10 and HKAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the combined financial statements. Further details of the expect impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take where there are alternative approaches allowed under the new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"). The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. While the Group is in the process of assessing the extent of impact on the impairment provisions under HKFRS 9, it is expected that the application of the expected credit loss model may result in earlier recognition of credit losses which are not yet incurred in relation to the Group's trade and other receivables. The directors of the Company anticipate that the adoption of HKFRS 9 would not have material impact on the results and financial position of the Group based on management's assessment performed so far.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

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 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with 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.

The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

The Group's revenue recognition policies are disclosed in Note 2(p).

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies three situations in which control of the promised good or service is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that its contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. Methods that can be used under HKFRS 15 to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time include (i) output method (i.e. recognise revenue on the basis of direct measurement of the value to the customer of the entity's performance to date) and; (ii) input method (i.e. recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation). In measuring the work progress under the new revenue standard, the Group considers that an output method with reference to progress certificates issued by customers and any adjustment, where it is necessary and can be objectively determined, on the work progress would appropriately depict the transfer of control of goods or services to customers for individual projects under the new standard. So far as the measurement of progress for the Group's typical contracts is concerned, the Group does not expect the adoption of HKFRS 15 would significantly affect its financial position and performance based on the assessment performed so far.

(b) *Timing of recognition of contract costs*

The Group's contract costs recognition policies are disclosed in Note 2(h).

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Currently, contract costs are recognised by reference to the stage of completion of the contract, which is measured with reference to the progress certificates issued by the customers. The Group has assessed that the adoption of HKFRS 15 may result in earlier recognition of contract costs that relate to satisfied performance obligations.

While the Group continues to assess the potential impact of the new revenue standard, the management currently does not expect the adoption of HKFRS 15 would have a significant impact on how it recognises revenue and costs from contracts with reference to the Group's typical contracts. The extent of impact on the Group's financial position and performance upon initial adoption of HKFRS 15 would depend on the progress of and facts specific to the Group's individual contracts. The Group expects that the adoption of HKFRS 15 will result in additional disclosures in the Group's financial statements.

HKFRS 16, Leases

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17, Leases and the related interpretations including HK(IFRIC) 4, Determining whether an arrangement contains a lease.

When HKFRS 16 is adopted in the future, it is expected that certain portion of lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities. As disclosed in Note 21(b), at 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to MOP404,000 for properties. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting. The directors of the Company anticipate that the adoption of HKFRS 16 would not have significant impact on the net financial position and performance of the Group based on the assessment performed so far.

25 SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2017:

(a) Group reorganisation

The Company was incorporated in the Cayman Islands on 24 April 2017. The companies comprising the Group underwent and completed a Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. After completion of the Reorganisation on 20 December 2017, the Company became the holding company of the Group.

(b) Disposal of investment property

As disclosed in Note 11(e), the Group completed the disposal of the investment property to Mr. Che Chan U on 7 July 2017.

(c) Acquisition of equity interest of subsidiaries by Space Construction BVI

Space Construction BVI acquired the equity interest of certain subsidiaries as follows:

- (i) On 19 September 2017, Mr. Che Chan U, Ms. Lei Soi Kun and Space Construction BVI entered into a share transfer agreement, pursuant to which Space Construction BVI acquired (1) 95% and 5% equity interest in Space Construction from Mr. Che Chan U and Ms. Lei Soi Kun, respectively; and (2) 95% and 5% equity interest in Companhia Space Group Limitada

from Mr. Che Chan U and Ms. Lei Soi Kun, respectively. In consideration thereof, Space Construction BVI issued and allotted 95 shares to Space Investment (BVI) Ltd, a company owned by Mr. Che Chan U and Ms. Lei Soi Kun as to 94.74% and 5.26% respectively.

- (ii) On 26 September 2017, Mr. Che Chan U, Mr. Wan Yee Sang and Space Construction entered into a share transfer agreement, pursuant to which Mr. Che Chan U and Mr. Wan Yee Sang transferred 50% and 20% equity interest that they held as nominee in Minsang Oriental respectively to Space Construction.
- (iii) On 26 September 2017, Mr. Wan Yee Sang and Space Construction entered into a share transfer agreement, pursuant to which Space Construction acquired (1) 30% equity interest in Minsang Oriental and (2) 30% equity interest in Space Oriental from Mr. Wan Yee Sang. In consideration thereof, Space Construction BVI issued and allotted 5 shares to SW Construction Holdings Limited, a company wholly owned by Mr. Wan Yee Sang.

(d) Dividends

On 8 December 2017, Space Construction BVI declared dividends of MOP75,000,000 to the then shareholders, which was settled against the amounts due from directors.

(e) Acquisition of land and building

As disclosed in Note 21(a), pursuant to the agreement entered into by the Group to purchase land and building from Mr. Che Chan U, the acquisition was completed on 15 November 2017.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set forth herein to illustrate the effect of the Share Offer on our combined net tangible assets as of 30 June 2017 as if the Share Offer had taken place on 30 June 2017.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our financial position had the Share Offer been completed as at 30 June 2017 or any future date.

	Combined net tangible assets attributable to equity shareholders of the Company as at 30 June 2017⁽¹⁾ MOP'000	Estimated net proceeds from the Share Offer⁽²⁾ MOP'000	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company⁽³⁾ MOP'000	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share^{(4) (5)} MOP HK\$	
Based on an Offer Price of HK\$1.4 per share	52,891	244,173	297,064	0.39	0.38
Based on an Offer Price of HK\$1.0 per share	<u>52,891</u>	<u>169,065</u>	<u>221,956</u>	<u>0.29</u>	<u>0.28</u>

Notes:

- (1) The combined net tangible assets attributable to equity shareholders of the Company as at 30 June 2017 is compiled based on the total equity attributable to equity shareholders of the Company as set out in the Accountants' Report as set out in Appendix I to this prospectus. The Group had no goodwill or other intangible assets as at 30 June 2017.

- (2) The estimated net proceeds from the Share Offer are based on the assumption that there are 190,000,000 newly issued shares in the Share Offer and the Offer Prices of HK\$1.0 per Share and HK\$1.4 per Share, being the low-end and high-end of the stated Offer Price range, respectively, after deduction of the underwriting fees and other listing-related expenses of approximately MOP26.6 million or MOP29.8 million based on the Offer Price of HK\$1.0 per Share or HK\$1.4 per Share respectively (excluding approximately MOP12.2 million listing-related expenses which have been charged to our combined statements of profit or loss and other comprehensive income to 30 June 2017), assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentives fees.
- (3) No adjustment has been made to unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017, including the disposal of the investment property at MOP41.2 million on 7 July 2017 and dividends of MOP75.0 million declared on 8 December 2017. The unaudited pro forma adjusted combined net tangible assets per Share would have been decreased to HK\$0.23 per Share and HK\$0.32 per Share based on the low-end and high-end of the stated Offer Price of HK\$1.0 per Share and HK\$1.4 per Share, respectively, if the disposal of investment property and declaration of dividends had been accounted for.
- (4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 760,000,000 Shares are in issue immediately following the completion of the Share Offer. It does not take into account any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.
- (5) For the purposes of the estimated net proceeds from the Share Offer and the unaudited pro forma adjusted combined net tangible assets per Share, the amounts are converted into HK\$ and MOP at an exchange rate of HK\$1 to MOP1.03, which is the rate as of the Latest Practicable Date. No representation is made that the MOP amounts have been, could have been or may be converted to HK\$ or vice versa, at that rate.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

28 December 2017

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF SPACE GROUP HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Space Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 28 December 2017 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Share Offer") on the Group's financial position as at 30 June 2017 as if the Share Offer had taken place at 30 June 2017. As part of this process, information about the Group's financial position as at 30 June 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, 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 pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this Prospectus and received from Savills (Macau) Limited, an independent professional property valuer, in connection with the valuations as at 31 October 2017 of the Properties.



Savills (Macau) Limited
T: (853) 2878 0623
F: (853) 2878 1805

Suites 1309-1310
13/F Macau Landmark
555 Avenida da Amizade
Macau

savills.com.mo

The Directors
Space Group Holdings Limited

28 December 2017

Dear Sirs,

RE: VALUATIONS OF A COMMERCIAL UNIT AND VARIOUS DEVELOPMENT SITES IN MACAU (THE “PROPERTIES”)

In accordance with your instruction for us to value the property interests of Space Group Holdings Limited and its subsidiaries (together referred to as the “Group”) located in Macau, we confirm that we have carried out external inspection to the Properties on 16 November 2017, caused land searches to be made at the Conservatória do Registo Predial of Macau and made relevant enquiries and investigations as we consider necessary for providing you with our opinion of the Market Values of the Properties as at 31 October 2017 (the “Valuation Date”). We understand that our valuations may be referred to and/or used for complying with the company’s disclosure obligations.

BASIS OF VALUATIONS

Our valuations are our opinion of the Market Values of the Properties which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and Chapter 5 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (Main Board).

TITLE INVESTIGATION

We have caused land searches to be made at the Conservatória do Registo Predial of Macau on the Properties. We have not, however, searched the original documents to verify ownerships or to ascertain the existence of any lease amendments which do not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are approximations. Unless otherwise stated, no on-site measurement has been made.

We have relied on the advice given by the Company and its legal advisors on the laws of Macau, Leong Hon Man Law Office (referred to as the “Macau Legal Advisors”), regarding the title of the properties concerned. In our valuations, we have taken into account the legal opinions of the Macau Legal Advisors.

VALUATION METHODOLOGIES

For property in Group I, we have valued the property interest on an open market basis assuming sale subject to existing tenancy by applying income capitalization approach. The rental incomes of contractual tenancy are capitalized for the unexpired term of tenancy. We have also taken into account the reversionary market rent after the expiry of tenancy in capitalization.

For properties in Group II, we have adopted the direct comparison method by making reference to sales evidence as available on the market and our knowledge of the prevailing market condition assuming that vacant possession of the property interests would be readily available upon completion of a sale.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

Our valuations have been made on the assumption that the owner sells the Properties in the prevailing market without any deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the Properties. In addition, no account has been taken of any option or right of pre-emption concerning of affecting the sales of the Properties.

We have relied to a considerable extent on the information given by the instructing party and have accepted advice given to us on such matters as statutory notices, easements, tenure, land-use rights term, occupancy, tenancy details, floor area and all other relevant matters. We have had no reason to doubt the truth and accuracy of the information as provided to us. We consider that we have been provided with sufficient information to reach an informed view and we do not consider that any material information has been withheld.

In valuing Property No. 1, we have assumed that the owner has free and uninterrupted rights to use and assign the property during the whole unexpired terms granted. The land lease is expected to last until 19 December 2049 provided that the grantee has (a) complied with covenants of the government leases and (b) settled the annual Government rents.

We have inspected the exterior of Property No. 1 on 16 November 2017. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether it is free from rot, infestation or other defects. No tests were carried out on any of the services. In arriving at our valuation, we have assumed that it is finished and maintained in reasonable condition commensurate with its use and age.

We have inspected the exterior of Property Nos. 2 to 5 on 16 November 2017. No site investigation has been carried out to determine the suitability of the ground condition or the service for any property development/redevelopment thereon. Our valuations are carried out on the assumptions that these aspects are satisfactory. Our valuations are prepared on the assumption that all consents, approvals and licences from the relevant government authorities for the development/redevelopment on the properties have been granted.

The saleable area of Property No. 1 is quoted from the land search issued by Conservatória do Registo Predial of Macau. The site areas of Property Nos. 2 to 5 are quoted from Cadastral Plans issued by Direcção dos Serviços de Cartografia e Cadastro or draft Technical Specifications provided to us. The saleable/site areas as stated in the attached valuation certificates are only for valuation purposes and therefore they are not intended to be used as basis for any future property transactions.

We have not been provided with the approved building plan and/or any addition and alteration plan of Property No. 1 and are therefore unable to confirm whether or not there are any discrepancies on the floor area calculations as stated on the land search and the approved building plan and/or addition and alteration plan. We shall undertake no responsibility as to its accuracy and it is not intended to be used as basis for any future property transactions.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollar (“HK\$”). The exchange rate adopted in this report is HK\$1 to MOP1.03 which is prevailing as of the Valuation Date.

Site inspection of the Properties was conducted on 16 November 2017 by Mr. Franco Liu, who is a corporate member of both HKIS and RICS.

Neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it may appear.

Finally, and in accordance with our standard practice, we must state that this report is for the exclusive use of the Group for the specific purpose mentioned earlier. No responsibility is accepted to any third party for the whole or any part of its contents.

Our Summary of Values and Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
Savills (Macau) Limited

Franco P L Liu
BSc (Hons), MRICS, MHKIS, RPS(GP)
Managing Director
Valuation and Professional Services

Note: Mr. Franco P L Liu is a Registered Professional Surveyor (General Practice), a member of both the Royal Institution of Chartered Surveyors, United Kingdom and The Hong Kong Institute of Surveyors. He has over 20 years' experience in the valuation of properties in Macau, Hong Kong and mainland China.

SUMMARY OF VALUES

No.	Property	Market Value as at The Valuation Date (HK\$)
Group I – Property held by the Group for Investment Purposes		
1.	Em Macau, Rua das Estalagens No. 112-112B, MengYu Rés-do-Chão A (R/C +K/C)	\$40,000,000
	Sub-total:	<u>\$40,000,000</u>
Group II – Properties contracted to be acquired by the Group for Owner-Occupation Purposes		
2.	A Development Site situated at Rua do Caetano No. 23, Coloane, Macau	\$25,600,000
3.	A Development Site situated at Rua do Caetano Nos. 25 and 27, Coloane, Macau	\$29,000,000
4.	A Development Site situated at Rua do Caetano No. 32, Coloane, Macau	\$13,200,000
5.	A Development Site situated at Rua do Caetano No. 34, Coloane, Macau	<u>\$13,700,000</u>
	Sub-total:	<u>\$81,500,000</u>
	Grand total:	<u><u>\$121,500,000</u></u>

VALUATION CERTIFICATE

Group I – Property held by the Group for Investment Purposes

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date
1.	Em Macau, Rua das Estalagens No. 112-112B, Meng Yu Rés-do-Chão A (R/C + K/C) 澳門, 草堆街112-112B號 明裕大廈地下A座 (地下及閣仔)	The property comprises one commercial unit on the ground floor with its cockloft of a 7-storey (plus a cockloft) residential building known as Meng Yu which was completed in or about 2003. Meng Yu is situated at the south-western side of Rua das Estalagens (草堆街) at its junction with Rua dos Mercadores (大街(營地大街)) and is registered under Conservatória do Registo Predial (物業登記局) as 3027. The saleable area of the property is approximately 28.98 sq m (312 sq ft). The property is held under Concessão Por Aforamento (政府長期租借批地) commencing on 22 August 2003. According to Despacho No. 99/SOPT/2002, the government rent for the whole building is MOP138 per annum.	The property is currently subject to a tenancy for a term of 2 years commencing on 24 January 2017 at a monthly rent of HK\$40,000. The rental is inclusive of government rent, management fee and property tax.	HK\$40,000,000

Notes:

1. At the time of our recent land search, the registered owner of the property is Che Chan U (謝鎮宇) (married with Ng Lai Kuan (吳麗君) (Regime da Participação nos Adquiridos (取得財產分享制))
2. According to the recent land search, the property is subject to the following encumbrances:
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 223301C dated 7 August 2017 in favour of Banco da China Limitada to an extent of HK\$28,000,000;
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 226652C dated 8 November 2017 in favour of Banco da China Limitada to an extent of HK\$5,180,000.

VALUATION CERTIFICATE

Group II – Properties contracted to be acquired by the Group for Owner-Occupation Purposes

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date
2.	A Development Site situated at Rua do Caetano No. 23, Coloane, Macau	<p>The property is a development site. It has a site area of 95 sq m (1,023 sq ft) according to the information provided by the Group.</p> <p>The property is situated at the south-eastern side of Rua do Caetano (計單奴街) near its junction with Travessa da Igreja (教堂巷) and is registered under Conservatória do Registo Predial (物業登記局) as 22389.</p> <p>The property is held under Propriedade Privada (私有產權地).</p>	The property is vacant and pending for development.	HK\$25,600,000

Notes:

1. At the time of our recent land search, the registered owner of the property is Che Chan U (謝鎮宇) married with Ng Lai Kuan (吳麗君) (Regime da Participação nos Adquiridos (取得財產分享制)).
2. According to the recent land search, the property is subject to the following encumbrances:
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 150505C dated 2 April 2013 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP18,962,300 (Re: Property Nos. 22389, 22390, 21740 and 21741);
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 166158C dated 27 February 2014 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP25,000,000 (Re: Property Nos. 22389, 22390, 21740 and 21741);
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 200082C dated 1 February 2016 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP19,000,000 (Re: Property Nos. 22389, 22390, 21740 and 21741).

3. According to the Urban Condition Plan No. 2013A042 dated 22 April 2016, the property is subject to the following development restrictions:

Conditions	Contents
Uses	Non-industrial
Maximum Building Height	Zone A: the façade (facing Rua do Caetano) should be restored with reference to the photo in Appendix. The building height shall not be increased. Zone B: 5.7m (to eaves)
Maximum Plot Ratio (IUS)	No restriction
Maximum Site Coverage (IOS)	No restriction
Other Conditions	<ul style="list-style-type: none"> - Comply with all prevailing construction regulations and ordinances, including the administrative guidelines issued by DSSOPT (土地工務運輸局). - The property is situated in Plano da Vila de Coloane (路環村都市規劃範圍). - The land or building structures are subject to the requirements under the Cultural Heritage Protection Law (文化遺產保護法) (Law No. 11/2003).
Conditions set out by Insituto Cultural (文化局)	<ul style="list-style-type: none"> - Preserve the stone staircase and the stone doorstep with holes at the entrance in Rua do Caetano; - The roof top has to be finished with traditional Chinese type of tiles with an elevation angle of 22 degrees; a terrace is allowed to be finished with Chinese type of tiles and its coverage should not exceed 25% of the site area; - The vertical height between the eaves and ridge shall not be more than 2.5m; - The building should be of painted external elevation with metal/wooden window; - A place should be reserved for installing air-conditioning and the sewerage should be arranged properly (installation on the building façade is prohibited); - The area is close to potential historical zone of archaeology interests, the owner must inform Insituto Cultural (文化局) upon application to commence construction; - Zone A: the façade (facing Rua do Caetano) should be restored with reference to the photo in Appendix. The building height shall not be increased - Zone B: the maximum building height shall be 5.7m (to eaves)

4. According to the Draft Technical Specification dated 15 January 2015 provided to us, the development parameters are as follows:

Conditions	Contents			
Uses	Non-residential			
Site Area	95 sq m (1,023 sq ft)			
Building Height	6.87 m.			
Plot Ratio (IUS)	2.945			
Site Coverage (IOS)	100%			
Floor Area (sq m)	Uses	Saleable Area	Common Area	Gross Floor Area
	Commercial	–	–	279.79
	Total	–	–	279.79
No. of commercial unit	1			

5. According to the copy of the Purchase and Sale Agreement signed on 15 November 2017 provided by the Group, the property has been sold to Sociedade de Construção Civil e Engenharia Hang U, Limitada at a consideration of HK\$25,600,000.00.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date
3.	A Development Site situated at Rua do Caetano Nos. 25 and 27, Coloane, Macau	The property is a development site. It has a site area of 105 sq m (1,130 sq ft) according to the information provided by the Group. The property is situated at the south-eastern side of Rua do Caetano (計單奴街) near its junction with Travessa da Igreja (教堂巷) and is registered under Conservatória do Registo Predial (物業登記局) as 22390. The property is held under Propriedade Privada (私有產權地).	The property is vacant and pending for development.	HK\$29,000,000

Notes:

1. At the time of our recent land search, the registered owner of the property is Che Chan U (謝鎮宇) married with Ng Lai Kuan (吳麗君) (Regime da Participação nos Adquiridos (取得財產分享制)).
2. According to the recent land search, the property is subject to the following encumbrances:
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 150505C dated 2 April 2013 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP18,962,300 (Re: Property Nos. 22389, 22390, 21740 and 21741);
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 166158C dated 27 February 2014 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP25,000,000 (Re: Property Nos. 22389, 22390, 21740 and 21741);
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 200082C dated 1 February 2016 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP19,000,000 (Re: Property Nos. 22389, 22390, 21740 and 21741).

3. According to the Urban Condition Plan No. 2013A041 dated 22 April 2016, the property is subject to the following development restrictions:

Conditions	Contents
Uses	Non-industrial
Maximum Building Height	Zone A: the façade (facing Rua do Caetano) shall be preserved. The building height shall not be increased. Zone B: the façade (facing Rua do Caetano) should be restored with reference to the photo in Appendix. The building height shall not be increased. Zone C: 5.7m (to eaves)
Maximum Plot Ratio (IUS)	No restriction
Maximum Site Coverage (IOS)	No restriction
Other Conditions	<ul style="list-style-type: none"> - Comply with all prevailing construction regulations and ordinances, including the administrative guidelines issued by DSSOPT (土地工務運輸局). - The property is situated in Plano da Vila de Coloane (路環村都市規劃範圍). - The land or building structures are subject to the requirements under the Cultural Heritage Protection Law (文化遺產保護法) (Law No. 11/2003).
Conditions set out by Insituto Cultural (文化局)	<ul style="list-style-type: none"> - Preserve the stone staircase and the stone doorstep with holes at the entrance in Rua do Caetano; - The roof top has to be finished with traditional Chinese type of tiles with an elevation angle of 22 degrees; a terrace is allowed to be finished with Chinese type of tiles and its coverage should not exceed 25% of the site area; - The vertical height between the eaves and ridge shall not be more than 2.5m; - The building should be of painted external elevation with metal / wooden window; - A place should be reserved for installing air-conditioning and the sewerage should be arranged properly (installation on the building façade is prohibited); - The area is close to potential historical zone of archaeology interests, the owner must inform Insituto Cultural (文化局) upon application to commence construction; - Zone A: the façade (facing Rua do Caetano) shall be preserved. The building height shall not be increased. - Zone B: the façade (facing Rua do Caetano) should be restored with reference to the photo in Appendix. The building height shall not be increased - Zone C: the maximum building height shall be 5.7m (to eaves)

4. According to the Draft Technical Specification dated 15 January 2014 provided to us, the development parameters are as follows:

Conditions	Contents			
Uses	Non-residential			
Site Area	105 sq m (1,130 sq ft)			
Building Height	6.87 m.			
Plot Ratio (IUS)	2.933			
Site Coverage (IOS)	100%			
Floor Area (sq m)	Uses	Saleable Area	Common Area	Gross Floor Area
	Commercial	–	–	307.95
	Total	–	–	307.95
No. of commercial unit	1			

5. According to the copy of the Purchase and Sale Agreement signed on 15 November 2017 provided by the Group, the property has been sold to Sociedade de Construção Civil e Engenharia Hang U, Limitada at a consideration of HK\$29,000,000.00.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date
4.	A Development Site situated at Rua do Caetano No. 32, Coloane, Macau	<p>The property is a 2-storey vacant building. It has a registered site area of 52 sq m (560 sq ft) according to the Cadastral Plan No. 7141/2013 dated 15 January 2014.</p> <p>The property is situated at the north-western side of Rua do Caetano (計單奴街) near its junction with Travessa das Lindas (美女巷) and is registered under Conservatória do Registo Predial (物業登記局) as 21740.</p> <p>The property is held under Propriedade Privada (私有產權地).</p>	The property is a vacant building and pending for redevelopment.	HK\$13,200,000

Notes:

1. At the time of our recent land search, the registered owner of the property is Che Chan U (謝鎮宇) married with Ng Lai Kuan (吳麗君) (Regime da Participação nos Adquiridos (取得財產分享制)).
2. According to the recent land search, the property is subject to the following encumbrances:
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 150505C dated 2 April 2013 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP18,962,300 (Re: Property Nos. 22389, 22390, 21740 and 21741);
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 166158C dated 27 February 2014 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP25,000,000 (Re: Property Nos. 22389, 22390, 21740 and 21741);
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 200082C dated 1 February 2016 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP19,000,000 (Re: Property Nos. 22389, 22390, 21740 and 21741).

3. According to the Urban Condition Plan No. 2013A039 dated 29 February 2016, the property is subject to the following development restrictions:

Conditions	Contents
Uses	Non-industrial
Maximum Building Height	The façade (facing Rua do Caetano) shall be preserved. The building height shall not be increased.
Maximum Plot Ratio (IUS)	No restriction
Maximum Site Coverage (IOS)	No restriction
Other Conditions	<ul style="list-style-type: none"> - Comply with all prevailing construction regulations and ordinances, including the administrative guidelines issued by DSSOPT (土地工務運輸局). - The property is situated in Plano da Vila de Coloane (路環村都市規劃範圍). - The land or building structures are subject to the requirements under the Cultural Heritage Protection Law (文化遺產保護法) (Law No. 11/2003).
Conditions set out by Instituto Cultural (文化局)	<ul style="list-style-type: none"> - The façade (facing Rua do Caetano) shall be preserved. The building height shall not be increased; - The roof top has to be finished with traditional Chinese type of tiles with an elevation angle of 22 degrees; a terrace is allowed to be finished with Chinese type of tiles and its coverage should not exceed 25% of the site area; - The vertical height between the eaves and ridge shall not be more than 2.5m; - The building should be of painted external elevation with metal / wooden window; - A place should be reserved for installing air-conditioning and the sewerage should be arranged properly (installation on the building façade is prohibited); - The area is close to potential historical zone of archaeology interests, the owner must inform Instituto Cultural (文化局) upon application to commence construction;

4. According to the copy of the Purchase and Sale Agreement signed on 15 November 2017 provided by the Group, the property has been sold to Sociedade de Construção Civil e Engenharia Hang U, Limitada at a consideration of HK\$13,200,000.00.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date
5.	A Development Site situated at Rua do Caetano No. 34, Coloane, Macau	<p>The property is a development site. It has a registered site area of 54 sq m (581 sq ft) according to the Cadastral Plan No. 7142/2013 dated 16 January 2014.</p> <p>The property is situated at the north-western side of Rua do Caetano (計單奴街) near its junction with Travessa das Lindas (美女巷) and is registered under Conservatória do Registo Predial (物業登記局) as 21741.</p> <p>The property is held under Propriedade Privada (私有產權地).</p>	The property is vacant and pending for development.	HK\$13,700,000

Notes:

1. At the time of our recent land search, the registered owner of the property is Che Chan U (謝鎮宇) married with Ng Lai Kuan (吳麗君) (Regime da Participação nos Adquiridos (取得財產分享制)).
2. According to the recent land search, the property is subject to the following encumbrances:
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 150505C dated 2 April 2013 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP18,962,300 (Re: Property Nos. 22389, 22390, 21740 and 21741);
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 166158C dated 27 February 2014 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP25,000,000 (Re: Property Nos. 22389, 22390, 21740 and 21741);
 - Hipoteca Voluntária (意定抵押) vide a memorial no. 200082C dated 1 February 2016 in favour of Banco Nacional Ultramarino S.A. to an extent of MOP19,000,000 (Re: Property Nos. 22389, 22390, 21740 and 21741).

3. According to the Urban Condition Plan No. 2013A040 dated 29 February 2016, the property is subject to the following development restrictions:

Conditions	Contents
Uses	Non-industrial
Maximum Building Height	The façade (facing Rua do Caetano) shall be preserved. The building height shall not be increased.
Maximum Plot Ratio (IUS)	No restriction
Maximum Site Coverage (IOS)	No restriction
Other Conditions	<ul style="list-style-type: none"> - Comply with all prevailing construction regulations and ordinances, including the administrative guidelines issued by DSSOPT (土地工務運輸局). - The property is situated in Plano da Vila de Coloane (路環村都市規劃範圍). - The land or building structures are subject to the requirements under the Cultural Heritage Protection Law (文化遺產保護法) (Law No. 11/2003).
Conditions set out by Insituto Cultural (文化局)	<ul style="list-style-type: none"> - The façade (facing Rua do Caetano) shall be preserved. The building height shall not be increased; - The roof top has to be finished with traditional Chinese type of tiles with an elevation angle of 22 degrees; a terrace is allowed to be finished with Chinese type of tiles and its coverage should not exceed 25% of the site area; - The vertical height between the eaves and ridge shall not be more than 2.5m; - The building should be of painted external elevation with metal / wooden window; - A place should be reserved for installing air-conditioning and the sewerage should be arranged properly (installation on the building façade is prohibited); - The area is close to potential historical zone of archaeology interests, the owner must inform Insituto Cultural (文化局) upon application to commence construction;

4. According to the copy of the Purchase and Sale Agreement signed on 15 November 2017 provided by the Group, the property has been sold to Sociedade de Construção Civil e Engenharia Hang U, Limitada at a consideration of HK\$13,700,000.00.

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 April 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “Memorandum”) and its Amended and Restated Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 December 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary

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quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

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The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

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(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every

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Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit. The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

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(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate

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allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors

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or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

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An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

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(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

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(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

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The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution

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dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be,

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the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so

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redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 9 May 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

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(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

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(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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 April 2017.

We have been registered in Hong Kong under Part 16 of the Hong Kong Companies Ordinance as a non-Hong Kong company on 29 May 2017 and our principal place of business in Hong Kong is at Rooms 911-912, Wing On Centre, 111 Connaught Road Central, Hong Kong. In compliance with the requirements of the Hong Kong Companies Ordinance, Mr. Ho Kwong Yu has been appointed as our agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company**(a) Authorised share capital**

- (i) As at the date of incorporation of our Company on 24 April 2017, our authorised share capital was HK\$380,000 divided into 38,000,000 Shares having a par value of HK\$0.01 each.
- (ii) Pursuant to written resolutions of the shareholders passed on 20 December 2017, the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares.
- (iii) Immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of 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 upon the exercise of the Over-allotment Option, the authorised share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 760,000,000 Shares will be issued fully paid or credited as fully paid, and 1,240,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs headed “Information about our Company – 3. Resolutions in writing of the Shareholders passed on 20 December 2017” and “Information about our Company – 4. Group reorganisation” of this appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the Shareholders passed on 20 December 2017

Written resolutions were passed by the Shareholders on 20 December 2017 pursuant to which, among other matters:

- (a) our Company approved and adopted the Memorandum with immediate effect and the Articles of Association with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares;
- (c) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) 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 day falling 30 days after the date of this prospectus:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Other Information – 1. Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$5,699,998 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par a total of 569,999,800 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 20 December 2017 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
- (iv) 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 issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of

Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above;
- (c) our Company approved the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the appointment letters made between each of our non-executive Directors and independent non-executive Directors with us.

4. Group reorganisation

Our companies comprising our Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange. For more details regarding the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" to this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountants' report set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed "Information about our Company – 4. Group reorganisation" set out in this Appendix V and the section headed "History, Reorganisation and Corporate Structure" to this prospectus, there were no other alterations in the share capital of each of our Company's subsidiaries which took place within the two years immediately preceding the date of this prospectus.

6. Securities repurchase mandate

Restriction on Share Repurchase

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Relevant legal and regulatory requirements

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by the Shareholders on 20 December 2017, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC of Hong Kong and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may,

depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(d) Number of Shares which may be repurchased

The exercise in full of the Repurchase Mandate, on the basis of 760,000,000 Shares in issue immediately after the Listing, would result in up to 76,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeover Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a

whitewash waiver is obtained. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

7. 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) A provisional sale and purchase agreement entered into between Space Construction as vendor and Mr. Che as purchaser and dated 27 April 2017 pursuant to which Space Construction agreed to sell a property situated at Rua Das Estalagens No.112-112B, Meng Yu Rés-do-chão A in Macau to Mr. Che;
- (b) A sale and purchase deed and banking facilities with mortgage entered into between Space Construction, Mr. Che and Bank of China Limited and dated 7 July 2017 pursuant to which the sale of a property situated at Rua Das Estalagens No.112-112B, Meng Yu Rés-do-chão A in Macau by Space Construction to Mr. Che was completed;
- (c) Four provisional sale and purchase agreements entered into between Space Construction as purchaser and Mr. Che as vendor and dated 25 April 2017 pursuant to which Space Construction agreed to purchase certain properties situated at Coloane, Rua Do Caetano No. 23, 25-27, 32 and 34 in Macau;
- (d) Four sale and purchase deeds entered into between Space Construction and Mr. Che and dated 15 November 2017 pursuant to which the purchase of certain properties situated at Coloane, Rua Do Caetano No.23, 25 and 27, 32 and 34 in Macau by Space Construction from Mr. Che was completed;
- (e) Sale and purchase agreements entered into between Mr. Che and Ms. Lei as vendors and Space Construction BVI as purchaser and dated 19 September 2017 pursuant to which Space Construction BVI acquired (i) 95% and 5% of Space Construction from Mr. Che and Ms. Lei, respectively; and (ii) 95% and 5% of Space Group from Mr. Che and Ms. Lei, respectively;


- (f) Sale and purchase agreements entered into between Mr. Wan as vendor and Space Construction as purchaser and dated 26 September 2017 pursuant to which Space Construction acquired (i) 30% of Minsang Oriental and (ii) 30% of Space Oriental from Mr. Wan;
- (g) Sale and purchase agreement entered into among our Company, Space Investment, Mr. Che and Ms. Lei dated 20 December 2017 pursuant to which our Company acquired 95% of Space Construction BVI from Space Investment;
- (h) Sale and purchase agreement entered into among our Company, SW Construction and Mr. Wan dated 20 December 2017 pursuant to which our Company acquired 5% of Space Construction BVI from SW Construction;
- (i) the Deed of Non-competition;
- (j) the Deed of Indemnity; and
- (k) the Public Offer Underwriting Agreement.

8. Intellectual property rights of the Group


Set out below are the material intellectual property rights of our Group:

(a) Trademarks

As at the Latest Practicable Date, we are the registered owner of the following trademark:

No.	Trademark	Place of Application	Class	Registration Number	Effective period
1.		Hong Kong	37	304001363	7 September 2017 to 21 December 2026

As at the Latest Practicable Date, our Group has applied for registration of the following material trademarks:

No.	Trademark	Place of Application	Class	Application Number	Date of Application
1.		Macau	37	N/119226(531)	11 January 2017

(b) Domain Names

As at the Latest Practicable Date, our Group had the following material registered domain name:

Domain Name	Name of Registrant	Date of Registration	Date of Expiry
http://www.spacegroup.com.mo	Space Construction	29 August 2013	29 August 2020

9. Connected transaction and related party transactions

Save as disclosed in the sections headed “Business”, “Connected Transaction” and “Relationship with Controlling Shareholders” and in note 22 to the accountants’ report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**1. Directors****(a) Disclosure of interests of our Directors**

- (i) Mr. Che, Ms. Lei and Mr. Wan are interested in the Reorganisation and the transactions as contemplated under the material contracts as set out above in paragraph 7 of this Appendix V.
- (ii) Save as disclosed below in this section headed “Further Information about Directors and Shareholders – 1. Directors” and in the sections headed “Business” “Relationship with Controlling Shareholders”, and “Connected Transaction” in the prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors’ service contracts*Executive Directors*

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date until terminated by not less than three months’ notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salaries set out below.

The current basic annual remuneration payable by our Group to our executive Directors are as follows:

Name	Approximate annual remuneration
Mr. Che	MOP600,000
Ms. Lei	MOP240,000
Mr. Wan	MOP480,000

Independent non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of our independent non-executive Directors is entitled to a director's fee as set out below. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

The current basic annual remuneration payable by our Group to our independent non-executive Directors are as follows:

Name	Approximate annual remuneration
Mr. Fan Chun Wah, Andrew	HKD320,000
Mr. Eulógio dos Remédios, José António	MOP120,000
Ms. Leong Iat Lun	MOP120,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the three years ended 31 December 2014, 2015 and 2016 were MOP1.7 million, MOP1.3 million and MOP1.4 million, respectively.

- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2017 are expected to be approximately MOP 1.5 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 December 2014, 2015 and 2016 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for the three years ended 31 December 2014, 2015 and 2016.
- (d) Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations.*

Immediately following completion of the Capitalisation Issue and Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

The Company

Name of Director	Nature of interest	Number of shares held after the Share Offer ⁽¹⁾	Approximate percentage of shareholding
Mr. Che	Interest held jointly with another person; interest in a controlled corporation ⁽²⁾	541,500,000 Shares (L)	71.25%

Name of Director	Nature of interest	Number of shares held after the Share Offer ⁽¹⁾	Approximate percentage of shareholding
Ms. Lei	Interest held jointly with another person; interest in a controlled corporation ⁽²⁾	541,500,000 Shares (L)	71.25%
Mr. Wan	Interest in a controlled corporation ⁽³⁾	28,500,000 Shares (L)	3.75%

Notes:

- (1) The letter “L” denotes the Directors’ long position in the Shares.
- (2) Our Company will be held as to approximately 71.25% by Space Investment immediately following the completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). Space Investment is held as to 94.74% by Mr. Che and 5.26% by Ms. Lei.
- (3) Our Company will be held as to 3.75% by SW Construction immediately following completion of the Share Offer (without taking into account any shares which may be allotted and issued upon exercise of the Over-allotment Option and the option which have been or may be granted under the Share Option Scheme). SW Construction is held as to 100% by Mr. Wan.

Associated corporation

Name of Director	Name of associated corporations	Nature of Interest	Number and class of securities in the associated corporation ⁽¹⁾	Approximate percentage of interest in the associated corporation
Mr. Che	Space Investment	Beneficial owner	9,474 shares (L)	94.74%
Ms. Lei	Space Investment	Beneficial owner	526 shares (L)	5.26%

- (1) The letter “L” denotes the Directors’ long position in the shares of the relevant associated corporation.

2. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and Share Offer (without taking account of any Shares which may be taken up or acquired under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executive) will have an interest or a short position in the Shares or underlying Shares which

would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and 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 meeting of members of our Group:

Interest in Company

Name of Shareholder	Capacity/Nature of Interest	Number and class of securities⁽¹⁾	Approximate percentage of interest in the Company
Space Investment ⁽²⁾	Beneficial owner	541,500,000 Shares (L)	71.25%
Ms. Ng ⁽³⁾	Interest of spouse	541,500,000 Shares (L)	71.25%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Space Investment is directly interested in 71.25% in our Company (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme).
- (3) Ms. Ng is the spouse of Mr. Che. Ms. Ng is deemed to be interested in the same number of Shares in which Mr. Che is interested by virtue of the SFO.

3. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Capitalisation Issue and Share Offer will have an interest or a short position in the Shares and 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, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to

have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

- (c) none of our Directors nor any of the parties listed in the section headed “Other Information – 8. Qualification of experts” below has been interested in the promotion of, or has any direct or indirect interest 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 our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in the section headed “Other Information – 8. Qualification of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “Other Information – 8. Qualification of experts” below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 20 December 2017. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (“**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of our Board, will contribute or have contributed to our Group, the assessment criteria of which are:
 - (aa) contribution to the development and performance of our Group;
 - (bb) quality of work performed for our Group;
 - (cc) initiative and commitment in performing his/her duties; and
 - (dd) length of service or contribution to our Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 76,000,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be

granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the “**Cancelled Shares**”) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders’ approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:
 - (aa) the Eligible Participant’s name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;

- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
- (gg) the date of the notice given by the grantee in respect of the exercise of the option; and
- (hh) the method of acceptance of the option which shall, unless our Board otherwise determines, be as set out in paragraph (c).

(f) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to connected persons*

Any grant of options to a Director, chief executive or Substantial Shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the

Stock Exchange at the date of each grant, such further grant of options will be subject to the approval of our independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules); and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme by our Shareholders of our Company (the “**Adoption Date**”). Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

(k) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as our Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or

such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above 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 possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by 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 (such notice to be received by our Company no later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and 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 meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees. Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5th September, 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration

provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n);
- (iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the

proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms and any adjustment to be made to the exercise price of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the Listing Rules from time to time and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(u) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee granting the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 76,000,000 Shares in total.

2. Tax and other indemnity

Our Controlling Shareholders, (the “**Indemnifiers**”) have entered into a deed of indemnity (“**Deed of Indemnity**”) with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (i) referred to in paragraph 7 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) tax liabilities (including all duties, estate duties, fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any

other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;

- (b) any expenses, payments, sums, outgoing, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional; and
- (c) all claims, payments, suits, damages, settlements, sums, outgoing, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the legal proceedings and non-compliance matters by any member of our Group as described in the sections headed “Business – Litigations and Claims” and “Business – Non-compliance Incidents” in this prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2017;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 July 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; and
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in the prospectus; or

- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of Macau, or any other relevant authority (whether in Hong Kong or Macau or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2017 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to us that they will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

3. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed "Business – Litigations and Claims" in this prospectus neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$50,600 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Agency fees or commissions received

The commission and expenses relating to the Share Offer that are to be borne by our Company are set out in the section headed "Underwriting" in the Prospectus.

7. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor will also receive a fee of HK\$5,800,000 to act as the sponsor to our Company in connection with the Share Offer.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are included in this prospectus:

Name	Qualification
CLC International Limited	A licensed corporation to conduct type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Leong Hon Man Law Office	Macau legal advisers to the Company
KPMG	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorney-at-law
Savills (Macau) Limited	Independent property valuer in Macau
Keng Ou CPAs	Independent tax adviser in Macau
Frost & Sullivan International Limited	Independent industry consultant

9. Consents of experts

Each of CLC International Limited, Leong Hon Man Law Office, KPMG, Conyers Dill & Pearman, Savills (Macau) Limited, Keng Ou CPAs and Frost & Sullivan International Limited has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of 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 Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

12. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

- (b) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 30 June 2017 (being the date to which the latest consolidated financial statements of our Group were made up).
- (c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Others

The English text of the Prospectus shall prevail over the Chinese text.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG
KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the WHITE, YELLOW and GREEN Application Forms; (b) the written consents referred to in the section headed “Other Information – 9. Consents of experts” in Appendix V to this prospectus; and (c) a copy of each of the material contracts referred to in the section headed “Further Information about the Business of the Company – 7. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sincere Wong & Co., Rooms 911-912, Wing On Centre, 111 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the service agreements and appointment letters referred to in the section headed “Further information about Directors and Shareholders – 1. Directors – (b) Particulars of Directors’ service contracts” in Appendix V to this prospectus;
- (c) the material contracts referred to in the section headed “Further Information about the Business of the Company – 7. Summary of material contracts” in Appendix V to this prospectus;
- (d) the written consents referred to in the section headed “Other Information – 9. Consents of experts” in Appendix V to this prospectus;
- (e) the legal opinion issued by the Macau Legal Advisers;
- (f) the letter issued by Conyers Dill & Pearman, being the legal advisers to the Company as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law as referred to in Appendix IV to this prospectus;
- (g) the accountants’ report of the Group issued by KPMG, being the Company’s reporting accountants, the text of which is set out in Appendix I to this prospectus;
- (h) the report issued by KPMG, being the Company’s reporting accountants, relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

- (i) the audited combined financial statements of our Group for the three years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2017;
- (j) the letter, the summary of values and the valuation certificate issued by Savills (Macau) Limited, the text of which is set out in Appendix III to this prospectus;
- (k) the Frost & Sullivan Report;
- (l) the tax opinion issued by the Macau Tax Advisers;
- (m) the Companies Law; and
- (n) the rules of the Share Option Scheme.



Space Group Holdings Limited